



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

ENVIRONMENT, COMMUNICATIONS, INFORMATION  
TECHNOLOGY AND THE ARTS LEGISLATION COMMITTEE

**Consideration of Additional Estimates**

THURSDAY, 22 FEBRUARY 2001

CANBERRA

BY AUTHORITY OF THE SENATE



**SENATE**

**ENVIRONMENT, COMMUNICATIONS, INFORMATION TECHNOLOGY  
AND THE ARTS LEGISLATION COMMITTEE**

**Thursday, 22 February 2001**

**Members:** Senator Eggleston (*Chair*), Senators Bartlett, Bishop, Bolkus Payne and Tierney

**Senators in attendance:** Senators Alston, Mark Bishop, Calvert, Campbell, Eggleston, Faulkner, Ferris, Lundy, Mackay, Schacht and Tchen

**Committee met at 9.11 a.m.**

**COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS  
PORTFOLIO**

**In Attendance**

Senator Alston, Minister for Communications, Information Technology and the Arts

Mr Neville Stevens, Portfolio Secretary

Telecommunications

Dr David Williamson, GM, Networking the Nation

Mr Michael Sutton, GM, Information Technology Development Branch

Telstra Corporation

Mr John Stanhope, Director, Finance

Australian Communications Authority

Dr Bob Horton, Deputy Chairman

Mr Geoff Luther, Senior Executive Manager, Radiocommunications Group

Arts

Dr Alan Stretton, Executive Director, Arts

Mr Les Neilson, General Manager, Arts

Ms Megan Morris, General Manager, Film and New Media

Acton Peninsula

Mr Craddock Morton, Chief General Manager

Old Parliament House

Ms Kate Cowie, Old Parliament House

National Portrait Gallery

Mr Andrew Sayers, National Portrait Gallery

Australia Council

Ms Jennifer Bott, Chief Executive Officer

Mr John Wicks, Executive Director, Finance and Services

National Gallery

Dr Brian Kennedy, Director

Mr Alan Froud, Deputy Director

National Museum of Australia

Ms Dawn Casey, Director, National Museum of Australia

Ms Freda Hanley, General Manager, Collection & Corporate Services  
Australian Film Finance Corporation

Ms Catriona Hughes, Chief Executive Officer

Mr Michael Malouf, Financial Controller

Australian Film Commission

Kim Dalton, Chief Executive Officer

NOIE

Mr John Rimmer, Chief Executive Officer

Dr Rod Badger, Deputy Chief Executive Officer

ABA

Mr Giles Tanner, General Manager

ABC

Mr Jonathan Shier, Managing Director

Mr Russell Balding, Director of Funding, Finance & Support Services

Mr Colin Knowles, Director of Technology & Distribution

Ms Sue Howard, Director of Radio

Mr Drew Lean, Director of Production Resources

Ms Lynley Marshall, Director of New Media

**Australia Council**

**CHAIR**—I declare open this public hearing of the Environment, Communications, Information Technology and the Arts Legislation Committee. The committee will now begin its consideration of the Communications, Information Technology and the Arts portfolio. Unless otherwise stated, responses to questions placed on notice at today's hearings should be sent to the committee secretariat by the close of business on 21 March 2001.

We will commence with the arts portfolio—and I would ask those officers to make sure they are in the room—followed by the communications portfolio and conclude with the information technology portfolio. I will call on questions in the order listed on the running sheet. However, we are going to change the order of the communications portfolio to do the ABA first, the ACA second, then the Australian Broadcasting Corporation, and lastly Telstra, and we will be issuing a new agenda in a short time.

Departmental officers will not be asked to comment on the reasons for policy decisions or the advice they may have tendered in the formulation of policy or to express a personal opinion on matters of policy. To assist senators and *Hansard*, I ask that all officers state their name and position clearly when first appearing before the committee.

I welcome Senator Alston, the Minister for Communications, Information Technology and the Arts; Mr Neville Stevens, the secretary to the department, who I believe may well be attending his last estimates on this occasion, as he will be departing to the private sector, and I am sure he will carry with him the memory of estimates for a long time to come; and I also welcome officers from the Australia Council, Ms Bott and Mr Wicks. Minister, do you wish to make an opening statement?

**Senator Alston**—No.

**CHAIR**—Senator Bishop, would you like to open your questions?

**Senator MARK BISHOP**—Thank you. I welcome the officers from the Australia Council, Mr Stevens and the minister. I want to ask a few questions about the Nugent report,

*Securing the Future*. Minister, you and Mr McGauran put out a joint press release on 14 September this year, which I think was the government's public response to the Nugent report, and that outlined increased funding to 28 major arts companies. In your press statement in the last paragraph, you refer to the partnership between the Commonwealth and states and that it demonstrates a commitment et cetera. Was there any liaison or discussion with all or any of the states concerning the outcomes of the Nugent report? I was under the impression it was a unilateral decision of the Commonwealth.

**Senator Alston**—No. It was very much a collaborative process. I personally visited every state and met with every state arts minister, so that included Bob Carr, Jim Bacon, Matt Foley, Mary Delahunty, both Peter Foss and Mike Board. So I think at every step of the way we were in discussions with the states, and certainly there was a bit of give and take and some useful suggestions, and generally we kept them fully informed. They were aware of the press release before it went out. It then went to the Cultural Ministers Council, which is attended by all ministers and all secretaries to departments. So as far as I am concerned, it has been the opposite of unilateral; it has been multilateral.

**Senator MARK BISHOP**—You say that subsequent to the Nugent report coming down there was exhaustive consultation.

**Senator Alston**—No, I was talking about the lead-up to the announcement. Subsequently, to the extent there has been a need for discussions, I think they have generally been held through the department and the Australia Council. If I have spoken to any ministers, I spoke to Mike Board subsequently, and I have probably spoken to Bob Carr subsequently, but beyond that, I do not—

**Senator MARK BISHOP**—The press release you put out on 14 September with Mr McGauran outlined the government's position in terms of extra funding to a range of organisations and companies. Are you advising the committee that the content of the press release had been exhaustively discussed with all of the relevant state level people prior to it going out?

**Senator Alston**—Yes.

**Senator MARK BISHOP**—Not all major organisations that received increased funding are happy with the outcome, are they? You say again that it placed them 'on a firm artistic and financial footing', but a number of organisations have publicly indicated they do not share that view, have they not?

**Senator Alston**—You might refresh my memory, but there were 31 major organisations, and I think probably—

**Senator MARK BISHOP**—28.

**Senator Alston**—Musica Viva and ACO would not have been included, because the question of a merger was still being pursued.

**Senator MARK BISHOP**—Who was that?

**Senator Alston**—The Australian Chamber Orchestra and Musica Viva, both Sydney based. I cannot remember who the other one would be to bring it down to 28. Of those 28, I think the general reaction was overwhelmingly positive. There might be a few people who would like a bit more down the track or like some further assurances, but it is an uncertain world, and we obviously responded because a number of organisations were on the verge of financial difficulties, and several in your own state. So I suppose we have not taken the view that all their worries are over just because we have put money on the table. There is still work to be

done internally. There are still some further discussions taking place between organisations in WA, for example.

**Senator MARK BISHOP**—I might come back to WA in a minute. When I identified some operations that had publicly indicated their dissatisfaction, I was referring to the major theatre companies—Adelaide state theatre and the Sydney, Melbourne and Queensland theatre companies—because they indicated in press releases and newspaper articles that picked up on those press releases in the *Fin Review* and the *Sydney Morning Herald* that their funding had done nothing to help them in their ‘hand to mouth struggle against the pressures to reduce cast sizes and the number of new productions’. They expressed dissatisfaction with the outcome as far as they were concerned.

**Senator Alston**—I think they were all urging us to implement the Nugent report, and that is what we did, but it is probably fair for them to say they still remain in a difficult position because of the remorseless pressures of competition, both domestically and internationally, and not just from other theatre companies but from other art forms. So I can understand them still wanting to make sure that we do not forget them. But perhaps Ms Bott might be able to elaborate.

**Ms Bott**—It is certainly true that the artistic director of Sydney Theatre Company has expressed some concerns about how theatre as a field fared during the inquiry. She was not in that position during the inquiry, even though there was extensive consultation with all companies. We have since had discussions with her, and the figures are that theatre received, via the Nugent inquiry, an overall increase of 14.5 per cent; music, 6.8 per cent; opera, 25.9 per cent; and dance, 32.2 per cent. While theatre is certainly not at the top of that pile, it is also not at the bottom.

**Senator MARK BISHOP**—Who got the 6.8?

**Ms Bott**—Music. I think the basic point the Sydney Theatre Company was making was about the whole future of theatre—the way that theatre is structured and regarded, long-term trends in terms of cast sizes and that sort of thing. In terms of the substantial issues she is raising, that has now been fed into a planning process and a discussion process which the Australia Council is managing called *Planning for the future*. Next week we are releasing a document which is based on consultation with theatre people and, indeed, people in all art forms throughout Australia. That document talks about many of those issues. There is no doubt that there are some particular challenges in theatre and dance that will be taken up there.

**Senator MARK BISHOP**—It was not just Sydney. As I said, it was the Adelaide theatre, the Melbourne and Queensland theatre companies and the Sydney company, as you have identified. They expressed concerns that they had received inadequate funding arising out of Nugent, which was going to affect their ability to have adequate cast sizes and engage in adequate productions in the future. I think that is common ground. You say the Australia Council has some negotiations going with them and there will be a position paper released next week which is going to not address but attend to those concerns. Is the Australia Council or the government engaged in any current negotiations with those four theatre organisations to remedy the particular concerns they have identified, Ms Bott?

**Ms Bott**—No, we are not. In fact, just to be clear, the discussions that are taking place are about the future of theatre and about artistic and art form development issues. They are not about funding issues. We would regard the Nugent inquiry, the discussions with the states and the companies and the resolution of the inquiry as being a benchmarking period in terms of

the financial relationship between the Commonwealth and the states and a whole set of recommendations about engagement of the companies with the community, developing greater sponsorship levels and so on. So we are not engaged in rewriting those funding formulas.

**Senator MARK BISHOP**—Would it be fair to say, as far as the Australia Council and the government are concerned, that you have had the Nugent report, you have analysed it, you have had exhaustive discussions with the states on a range of the recommendations, those recommendations have been signed off and implemented and we can now draw a line, if you like, underneath that in terms of allocation of funding in this area and move on to other fields of endeavour?

**Senator Alston**—The purpose of the exercise was to try and put them on to as secure a financial footing as was reasonably possible. As I recall it, virtually the entire arts sector welcomed the establishment of the Nugent inquiry. I thought they were very responsible in not simply saying, ‘We just want more money. We do want to look at structural issues. We do think we need to build up reserves and have a buffer. We do need to have in some instances more professional administration.’ For example, the idea of the Australia Council supervising their business plans and having early warning of difficulties struck everyone as being very sensible. So I do not think it is right to say that they were dissatisfied with the outcome of Nugent. They were, I think, all wanting Nugent to be implemented in full and on time, and that is the government’s strong commitment.

What I think is occurring, and quite understandably, is that theatre remains under considerable pressure. You would have seen Richard Wherret’s comments. There are some fundamental debates going on about the future of theatre. I am a long-term theatre subscriber. Thinking back over 30 years, I realise that the average cast size was a lot bigger than it is today. There are a lot of reasons companies will try and make do with three or four when in the old days you had a lot more fun with a lot more people.

I think they are all concerned about their future existence and what the multimedia age is going to do to them. As a result I think it is quite proper that these issues are worked through. We do not wash our hands because we have implemented the Nugent report. We maintain a very important watching brief and we will do what we can to help. But I think it is quite premature to say, ‘Now we have given them some money. How much more might we give them in the not-too-distant future?’

I think we have done what we said we would do. They all saw that as a very positive step. To the extent that there are ongoing structural and other perhaps potentially life-threatening issues, they ought to be very much addressed in detail by the Australia Council, which will give us advice, and we will hopefully be able to be helpful.

**Senator MARK BISHOP**—So is it fair to comment, then, that the major unresolved sector of the arts industry that needs attention is the theatre industry that is the subject of some investigation and reporting by the Australia Council at the moment?

**Ms Bott**—I would not characterise them as the major unresolved issue, no. I think there are a range of issues that are ongoing and are always in this field. Certainly there are issues in the future of theatre—not only financial issues—of the kind the minister has referred to. There are issues in dance. This is a field which is dramatically developing and therefore there are new fields, such as new media and crossover art forms, hybrid art forms, where the barriers are actually breaking down between the art forms. So it is a changing field. There also are concerns that because there has been this focus on the major performing arts companies there

is a need for authorities such as ourselves to do some investigation in other fields, and we are in the process of doing that. So I think it would not be fair to characterise theatre as being something which particularly needs attention as opposed to anything else.

**Senator MARK BISHOP**—I will read a couple of quotes that have appeared from the Adelaide theatre. The general manager of the Adelaide state theatre has been reported as saying that their funding barely covers inflation. The spokesperson for the four theatre companies, Robyn Nevin, artistic director for the Sydney Theatre Company, said that theatre funding is at a standstill while the rest of the major performing arts sector have had their needs recognised. In the context of those comments, have you had any discussions with these theatre companies in relation to their criticisms of the funding announcements?

**Senator Alston**—Let us put this in context. I can recall Robyn Nevin leading a delegation to me some years ago with a number of her counterparts. At that stage I think four out of five were in the red and were looking down the barrel. Robyn has probably always had a more expansive solution than have some of the others. In other words, she thinks the way to get people back to the theatre in large numbers is to substantially expand the productions in a number of respects. That is one argument, but it is a high risk strategy in a number of respects. It goes against the run of play around the world for funding pressures and other reasons. As Ms Bott says, the nature of theatre is changing. There are virtual backdrops. There are crossovers of various sorts. It is very difficult to try and just go back to a situation where you have traditional theatre with large casts.

I think this is part of an ongoing concern that Robyn Nevin quite rightly feels about maintaining standards of excellence in theatre and attracting the best people. People like Geoffrey Rush are still very much committed to theatre, so you are always going to have, I suppose, the insiders seeing it as one of the ultimates and much preferring it to television and film. The trick, of course, is to persuade audiences of that when audiences have so many alternative consumer options. As much as we all might think they would be better off going to theatre, they do not often share that view.

**Senator MARK BISHOP**—Yes, I understand the argument you are putting, but that does not quite answer the question. The question was: have you had any discussions with those four theatre companies in relation to their criticism of lack of adequate funding?

**Senator Alston**—I am not aware of their having come to us about it. They certainly have not come to me and I am not aware of their having written to me. They may well have approached the Australia Council.

**Ms Bott**—I should point out, by the way, that the State Theatre Company formula, as embraced by the Nugent inquiry and signed off by the Cultural Ministers Council, is that 80 per cent of their funding comes from the state and 20 per cent from the Commonwealth. These criticisms that you are referring to, I believe I am correct in saying—

**Senator MARK BISHOP**—I am referring to a series of articles by Anne Lim and Lynden Barber in the *Australian Financial Review*, by Louise Nunn—I think she is with the *Australian Financial Review*—and Anne Lim again in the *Australian Financial Review* circa 21 September, 22 September and undated in the *Adelaide Advertiser* and the *Australian*, and associated press releases they put out as well.

**Senator Alston**—I can actually recall signing off on a letter to Robyn Nevin last night, I think. So she has written to me. But I am not aware of the other theatre companies having done so.



**Senator MARK BISHOP**—Ms Bott, have you had any approaches from the other theatre companies?

**Ms Bott**—We have certainly had verbal discussions through our Major Performing Arts Fund with each of the 31 companies, which all have a different perspective, of course.

**Senator MARK BISHOP**—No, I am specifically talking about those four theatre companies that I have identified?

**Ms Bott**—Sure, we have ongoing contact with them all the time in which these and many other issues are raised.

**Senator MARK BISHOP**—So you have had contact? They have raised the issue that I have raised today—

**Ms Bott**—Yes.

**Senator MARK BISHOP**—As to their view that funding is inadequate? When do you expect those discussions to conclude? Or are they a moving feast?

**Ms Bott**—We would regard the conclusions of the Nugent inquiry and its embrace by the CMC as being the new funding formulas for those companies, including the theatre companies.

**Senator MARK BISHOP**—Including those four named theatre companies?

**Ms Bott**—Including those, yes.

**Senator MARK BISHOP**—So whatever formulas exist and whatever funds that have been allocated by both the Commonwealth and the respective states towards those particular theatre companies, you regard that as now finalised?

**Ms Bott**—At this point in time, yes. We obviously monitor very carefully the overall artistic and financial health of all companies, but particularly those 31. One of the reasons—

**Senator MARK BISHOP**—I understand that. I am sorry to interrupt. But if they thought that there was significant additional funding in the pipeline or going to come down in this year's budget, that would be an incorrect view on their part?

**Ms Bott**—That would be erroneous on their part, because they would be aware from our discussions that there are many other areas of need, including smaller theatre companies in the second and third tier, the visual arts area and many other areas of the arts that would regard the major performing arts companies as having had a well deserved investment, but that it might be time to look at some other areas. There would be no reason for those companies to think that in this coming budget or at a time in the near future their financial grants would be increased.

**Senator MARK BISHOP**—You have answered the question. Thank you, Ms Bott. Minister, are you also aware of criticism from the State Orchestra of Victoria and the Melbourne Symphony Orchestra that they will have to wait until next financial year for their additional funding? Has that been drawn to your attention?

**Senator Alston**—No, I thought the only issue was where the State Orchestra was in terms of future accommodation needs. There are negotiations going on with the Department of Defence and my understanding was that Mary Delahunty had stepped in and stymied the whole process.

**Senator MARK BISHOP**—What do you mean 'stymied the whole process'?

**Senator Alston**—I cannot recall the detail now. I can get it for you. My information was that negotiations were going quite smoothly until she lumbered in.

**Senator SCHACHT**—You will have plenty of state Labor governments to blame in the future. They are popping up everywhere.

**Senator Alston**—I would say nice things about most of the Labor arts ministers.

**Senator MARK BISHOP**—Is it true they will have to wait until next financial year for their additional funding?

**Senator Alston**—I am not aware of that.

**Senator MARK BISHOP**—Mr Stevens or Ms Bott?

**Ms Bott**—All of the new grants begin in July 2001. All of the new arrangements are based on agreements that are being signed now for the new financial year.

**Senator MARK BISHOP**—And those new grants are for implementations of Nugent or derive from Nugent?

**Ms Bott**—I would probably need to get you the detail of that at a later time, but my understanding is that it is the new financial year.

**Senator MARK BISHOP**—I stand to be corrected—

**Senator Alston**—I think Mr Neilson might be able to help you with that question.

**Mr Neilson**—Would you be kind enough just to repeat the question?

**Senator MARK BISHOP**—Yes. Mr Neilson, it has been drawn to our attention that the State Orchestra of Victoria and the Melbourne Symphony Orchestra have been critical of the new funding, because they have to wait until the next financial year for their additional funding. Ms Bott has just informed the committee that that is standard practice for all of the recommendations arising out of Nugent. That was not the advice that I had received. Perhaps you could clear it up for us, Mr Neilson?

**Mr Neilson**—The grant made to the State Orchestra of Victoria and the Melbourne Symphony Orchestra is the current grant being paid to them. It is correct to say—

**Senator MARK BISHOP**—Current year grant?

**Mr Neilson**—The grant that applied last financial year. And it will be continued in this financial year with the new grant to be paid in the coming financial year.

**Senator MARK BISHOP**—With the new grant to be paid in the coming financial year? Okay. Is that new grant conditional at all?

**Mr Neilson**—No, it is not conditional in the sense—

**Senator MARK BISHOP**—Let me be specific: is it conditional upon the merger of the two organisations?

**Mr Neilson**—Certainly not.

**Senator MARK BISHOP**—No?

**Mr Neilson**—The expectation on the State Orchestra of Victoria is that it will be corporatised as a stand-alone entity as from 1 July this year.

**Senator MARK BISHOP**—This year?

**Mr Neilson**—Yes. And the Melbourne Symphony Orchestra's grant increases in the next financial year. There are no other conditions provided they can—

**Senator MARK BISHOP**—How much—

**Mr Neilson**—The normal conditions will apply in terms of the current deed of grant—that they actually satisfy the normal accountability requirements that we put on any deed of grant for any company.

**Senator MARK BISHOP**—Both of those orchestras have refused to accept the recommendation of Nugent to merge, haven't they? Or has that been under review of late?

**Mr Neilson**—No, that was certainly a Nugent recommendation, but it was not the outcome that ministers agreed. Ministers at the Commonwealth and the Victorian government levels rejected that Nugent recommendation and the ministers jointly agreed to the funding formula and the funding amounts to apply to the two orchestras.

**Senator MARK BISHOP**—So that rejection of that recommendation from Nugent was a joint decision of yourself and Ms Delahunty?

**Senator Alston**—I think it became pretty apparent that there was not much support for the proposition in Victoria.

**Senator MARK BISHOP**—Do you accept that?

**Senator Alston**—We accept it, yes.

**Senator MARK BISHOP**—Because of the delay in receiving the funding until 1 July, as you outlined, Mr Neilson, the general manager of the State Orchestra of Victoria has been critical. He has alleged that wages and conditions paid to players are lagging behind comparable orchestras by something of the order of 15 per cent to 30 per cent. Are you aware of that criticism?

**Mr Neilson**—I am not aware of that specific criticism. I am aware it is a general concern from the general manager of the State Orchestra of Victoria about the payment of the grant. But there has been very fruitful suggestions with the state orchestra leading up to its corporatisation involving the Australia Council and us and we think that that concern has probably gone off the table.

**Senator MARK BISHOP**—When do you think that concern went off the table?

**Mr Neilson**—In relation to the Nugent inquiry, we assisted the State Orchestra of Victoria by paying its current grant earlier than one would normally expect.

**Senator MARK BISHOP**—Was that matched by the Victorians as well?

**Mr Neilson**—Yes. We have worked in a partnership with the Victorian officials in relation to the State Orchestra of Victoria. The Nugent implementation has been a two hander with the state officials and the Commonwealth officials in relation to all states. That is a key finding of Nugent and endorsed by ministers.

**Senator MARK BISHOP**—So you say that, in relation to the concerns that were expressed by the general manager, time might have passed them over because of subsequent negotiations?

**Mr Neilson**—I do not think they are as serious perhaps as they were in the past. The residual probably remains for the State Orchestra of Victoria, but we have moved on to corporatisation where there has been a decision made to meet some of their corporatisation costs, a decision taken to ensure that they get development assistance to increase sponsorship

levels, and there is a group of officials working with them to assist their corporatisation in as smooth a way as possible. So I detect that there is goodwill in relation to the State Orchestra of Victoria.

**Senator MARK BISHOP**—I am sure. I do not quarrel with that proposition. With that assistance from both yourself and the Victorian Government in terms of costs associated with corporatisation, there may well be goodwill. My specific issue went to the ability to pay, I suppose if you like, the going rate in terms of wages and conditions for players of the State Orchestra of Victoria. That was the criticism that was drawn to my attention.

**Mr Neilson**—The State Orchestra of Victoria as from 2001-02 gets an increase of \$400,000 ongoing per annum. So there is a substantial increase in funding coming to the State Orchestra of Victoria. We have acted, I think, as well as we could to assist them in the interim period to when that increase in funding occurs.

**Senator MARK BISHOP**—The final issue: could you please inform me as to where the negotiations on amalgamation between Musica Viva and the Australian Chamber Orchestra are at?

**Ms Bott**—There has been a decision by both companies not to proceed with a merger. There have been subsequent discussions between the Australia Council and the New South Wales Ministry of the Arts and we have agreed on new funding levels which are neither the merger level suggested nor their original grant. So both companies now have new individual performance agreements with us and with the state.

**Senator MARK BISHOP**—And the merger is off the table?

**Ms Bott**—The merger is off the table, yes.

**Senator MARK BISHOP**—Why did the negotiations on merger outcome break down? Would you care to tell us?

**Ms Bott**—I could not comment on the detail. I am not aware—

**Senator MARK BISHOP**—Why is that?

**Ms Bott**—I am not aware of the exact reasons why they have decided not to proceed. It was clearly a long and protracted discussion between both boards and they were unable to reach agreement. We certainly provided support for those negotiations, ongoing support through the council and a member of the former inquiry, et cetera, but they were unable to solve the difficulties.

**Senator MARK BISHOP**—What were the difficulties?

**Ms Bott**—My understanding is that there were issues to do with the combining of the management structures and the embracing of an appropriate budget—business plan—that made sense. So that is my understanding, but I do not know any further details.

**Senator MARK BISHOP**—Someone would know the detail of that.

**Ms Bott**—Sure, the chairmen of both boards of directors.

**Senator MARK BISHOP**—And the Australia Council has not received a report? You were intimately involved in it, were you not?

**Ms Bott**—We received a letter from each of the chairs saying that they were not proceeding with the mergers and outlining their reasons, basically.

**Senator MARK BISHOP**—Outlining their reasons for not proceeding with the merger. Apart from the two that you have just identified, there were other reasons in their correspondence?

**Ms Bott**—Not that I recall.

**Senator MARK BISHOP**—Could you undertake to provide a copy of correspondence—

**Ms Bott**—From each of the chairs?

**Senator MARK BISHOP**—From each of the chairs on that issue.

**Ms Bott**—Certainly.

**Senator MARK BISHOP**—And also any relevant notes of meetings where the issue was reported on or discussed within the Australia Council.

**Ms Bott**—There was a report to the first meeting of the major performing arts funds. So there would be a small paper on that, yes.

**Senator MARK BISHOP**—And there would have been a follow-up attendance to that? Did you just note the correspondence from the chairmen?

**Ms Bott**—We did, yes.

**Senator MARK BISHOP**—Yes.

**Ms Bott**—Yes, we noted it and moved on to negotiations with the individual companies.

**Senator MARK BISHOP**—And what are those negotiations?

**Ms Bott**—They are finalised. The state Ministry of the Arts in New South Wales and the Australia Council have now both signed off on individual performance agreements with both companies.

**Senator MARK BISHOP**—Would you mind providing the committee with a copy of that correspondence and agreements?

**Ms Bott**—Certainly.

**Senator MARK BISHOP**—Thank you, Ms Bott. That concludes my questions of the Australia Council.

**CHAIR**—I think Senator Calvert has some questions on orchestras.

**Senator CALVERT**—I do not know whether this is quite the time to ask, but have there been any significant changes in funding for the TSO, the Tasmanian Symphony Orchestra?

**Ms Bott**—I should add that the orchestras are still under the Department of Communications, Information Technology and the Arts until the end of March.

**Mr Neilson**—The increase in funding for the TSO from 1999-2000 to 2000-01 is an increased total of \$150,000 per annum.

**Senator CALVERT**—And when is the minister going to open the Federation Concert Hall in Hobart; do you know? I think everybody is waiting with bated breath.

**Senator Alston**—Thank you for reminding us to ensure that we are involved in it.

**Senator CALVERT**—It is a significant cultural hallmark of the Salamanca area.

**Senator Alston**—Indeed. I have already inspected the work in progress so I would be pleased to see—

**Senator CALVERT**—Have you seen the completed article?

**Senator Alston**—No.

**Senator CALVERT**—It is certainly something to behold, I can tell you.

**Senator Alston**—It is a great step forward.

**Senator CALVERT**—But I think everybody is looking forward to the official opening, I am sure—the only hotel with a resident symphony orchestra in the southern hemisphere, I believe, or perhaps the world.

**Senator Alston**—Better than the usual music you get in the public bar.

**Senator CALVERT**—Yes.

**CHAIR**—Thank you very much to the Australia Council. We call the Australian Film Commission?

[9.51 a.m.]

#### **Australian Film Commission**

**Senator MARK BISHOP**—I welcome officers from the Australian Film Commission. Mr Dalton, in relation to the Australian film industry, you are aware of the national production survey last year and the alarming statistic that the number of feature films produced in this country dropped by 25 per cent, from 41 to 31. You released a press release to that effect, or someone did, on 14 November. What are the reasons for this dramatic fall?

**Mr Dalton**—Yes, I am aware of the national production survey because we are the authors. We collect the data, do the analysis and write the report. I think you have to look a little closer at the statistics and break them down. You will find that there is a more detailed breakdown of the spread of features and the change across the years in the survey. One of the points we make in that survey is that a very high percentage of those feature films each year—in fact, the very low budget end and often what we refer to as the self-funded end of the feature film production area—are ones that are financed and produced quite outside the systems in place in Australia prior to regulation and subsidy to ensure a level of production in the feature film area. At the moment I cannot give you the precise figures without studying this closely, but you will find that there has been a reasonable level of consistency over the last few years of the funding of mainstream feature films, the major organisation being the Film Finance Corporation. The level of funding of feature films in that area across a period of time has remained reasonably constant. We do point to a continuing structural concern within the industry about the problems associated with funding films in the higher budget area. Once you move past the \$6 million area, producers face problems, particularly with changes that have taken place internationally to funding films in that area.

**Senator MARK BISHOP**—I accept those comments. They are not dissimilar to the key findings in the report we are discussing—that is, that outlays in general are similar to last year. But my specific question went to the reduction in the number of features from 41 to 31. I think you said the reason for that was the reduction of funding in the self-funding area. Is that correct?

**Mr Dalton**—Not specifically that area, but I am suggesting that, when you say we funded 41 feature films last year, that statistic in itself is not terribly meaningful, because quite a high percentage of those films are in that area that I was referring to before. The critical area that we and the mainstream industry tend to look at is that area where the Film Finance Corporation is the major player, and the Australian Film Commission is certainly involved at

the development end of it as well as looking at that higher budget area. What is the level of activity that is taking place in that area? I think you should look at more than just year to year, because you cannot just look from one year to the next year because some projects may get funded and then hang over the financial year. It is not a terribly meaningful analysis. If you look across a stretch of time, you will find that there is not a dramatic fall off. We are not looking at a dramatic reduction of 25 per cent in the level of feature film production in Australia.

**Senator MARK BISHOP**—So you think it will go back to more routine levels? You acknowledge it has gone down from 41 to 31. As you say, that is a 25 per cent reduction. Are you advising the committee that that is not of great concern because of other developments?

**Mr Dalton**—It is always of concern. One looks very closely at these figures, but we are very careful about jumping to conclusions on the basis of a change from one financial year to the next financial year. That is the No. 1 issue that we are always concerned about. We always look across a three or four-year period to see whether in fact trends are emerging or whether it is just to do with the fact that something actually got financed on 10 July instead of 10 June, because that makes a difference. The other thing we look at is the spread. What is the spread of the budget in terms of budget range? What has been funded and what has not been funded within those budget ranges? Yes, we see it in our findings in this report. We reported that drop in actual numbers, but what we did report was that within that central area, which is traditionally an area in which the Australian film industry is producing films, there is not any cause for alarm at the moment.

**Senator MARK BISHOP**—And you stand by that now?

**Mr Dalton**—I stand by that now.

**Senator MARK BISHOP**—Are the figures to date this year—

**Mr Dalton**—How do you mean figures for this financial year we are in at the moment? This is a survey in which we collect information. As we move towards the end of the financial year, we commence collating that information and then put it together early in the new financial year. My feeling is that, looking ahead, in that middle range there may well be less films actually financed. The actual dollars being spent will partly depend on budget allocations within the FFC and the way its budget is allocated. That is obviously not my territory, but I would think that we will be looking at a level of production. We are not going to see a trend next year that we will be going to 25 and 20 and so on and so forth.

**Senator MARK BISHOP**—We are not going to see that trend?

**Mr Dalton**—No, I do not think that is a trend.

**Senator MARK BISHOP**—So you do not identify any trend. You do not think it is going to continue into the future and at this stage you assure us that there is not going to be any continuing decline into the future.

**Mr Dalton**—On the basis of the information we have at the moment. There was a statement from the minister last year at some stage that the FFC is going to continue to be funded and it allocates a certain proportion of its budget to the funding of feature films. There continues to be concerns about the problems Australian producers have in raising finance internationally against the international market, and therefore that obviously affects the whole issue of putting projects together and how you match the funding that is available within Australia and finance that. That continues to be a problem. We have seen a decline in that. We have also seen a decline in revenues from international sales internationally. So that has an

effect on how much money we actually have to spend here in Australia on the production of new feature films. I am not here to say that these are not issues that we keep a close eye on. To say that there was a drop of 25 per cent in the numbers of feature films and therefore we're seeing a decline in production activity or activity in the feature film production area by 25 per cent is not a correct analysis to make. It is not a correct conclusion to draw.

**Senator MARK BISHOP**—What conclusion do you draw?

**Mr Dalton**—The areas generally within the industry about which there are some concerns relate to the changing nature of the international market, and that has an effect on Australian producers in terms of being able to finance their films and the difficulties associated with financing their films. That is particularly the case in the higher budget area. It has an effect in terms of the flow of revenue coming from international sales, and that is also a factor. The other side of the coin, of course, is that we have just come through a calendar year in terms of Australian feature films where we had a tremendous performance at the local box office and achieved eight per cent, and therefore you will see revenues flowing back into the industry from the domestic performance. So there is an equation going on there.

**Senator MARK BISHOP**—Thank you, Mr Dalton. That concludes the questions I had for your organisation. I am ready for the Australian Film Finance Corporation.

**CHAIR**—Thank you.

[10.03 a.m.]

#### **Australian Film Finance Corporation**

**CHAIR**—Senator Bishop?

**Senator MARK BISHOP**—My first question goes to probably both the minister and the officers. Last year the Australian Film Finance Corporation recouped \$12.7 million from its investments and I am advised that this was down \$2.9 million on the previous year. Are you aware of any of the contributing factors as to why this figure is substantially lower? Can you tell us what has caused this?

**Ms Hughes**—Yes, of course. The two areas would be feature film revenues and adult television drama revenues. Globalisation has had an enormous impact on making it very difficult for independent films to penetrate the international marketplace and that has caused a reduction in revenues from sales to overseas territories. So that is number one for feature films—

**Senator MARK BISHOP**—We are selling less feature films offshore.

**Ms Hughes**—Yes. We have got a burgeoning Europe with its own industry, particularly the UK, picking up a number of films that they are making, as well as the scene in Hollywood both at the structural level of the studios and the independent films being made there. So we are seeing more and more and more films being made. The ones that are advantaged are those that can be sold through output arrangements, which are typically the way Hollywood would structure its sales. So that is feature films and the revenue area. In adult television drama, it has also been affected directly by the impact of regulation, particularly in the European marketplace, which has been our traditional buying partner.

**Senator MARK BISHOP**—What do you mean: the impact of regulation in Europe?

**Ms Hughes**—Well, all European broadcasters have to transmit more than 50 per cent local material and that over time has geared up their own production industries. Of course, television sales are finite - it depends on the number of slots available—so a lot of the



Australian television drama both financed by the FFC and non-financed by the FFC, if you track the sales, they are declining in the international market as well.

**Senator MARK BISHOP**—What steps are you taking to remedy that problem? More competition and more entrants into the field is obviously going to be an ongoing problem, so the question becomes how you turn around that emerging decline in returns from investments.

**Ms Hughes**—Well, it is more for the producers to grapple with, because they are at the development coalface, but what we are seeing is, I think in the area of feature films, a greater polarisation between those which would be described as made for the local market and those which would have international legs, and in the case of films designed more for the local market, which would be your normal comedies—typically it would be your typical comedies—you would aim for low budgets and you would be aiming for high levels of recoupment from the local market. That is one—

**Senator MARK BISHOP**—That is a response.

**Ms Hughes**—That is indeed a response. The other level is to get more out of the middle ground in a so-called international arthouse picture that might have been selling five years ago but has not been selling in the last few years, stepping up a bit, trying to attract actors of a higher marque value and possibly the production values increasing as well. So those would be the two strategies to be looking at from a producer perspective, and we are seeing that being translated through the applications that are coming to us for funding.

In the area of television, I think really to have lower expectations of presales and finance that you can get from the overseas territories, to look to hopefully financing more in collaboration with the pay TV operators alongside the networks, which is a future challenge that will have to be explored—we have done one miniseries with a pay TV operator as well as a network—and basically acknowledging it might take a little bit more money to support the adult drama slate. Fortunately, the children's drama slate is still quite healthy and still manages to sell within Europe reasonably well at both a presale stage and at a completion stage.

**Senator MARK BISHOP**—Going back to your earlier comments, correct me if I am wrong, but did I hear you say that the reaction in the marketplace had been to withdraw and concentrate more on sales into the local market and to go into more lower cost areas, if you like, within the local market?

**Ms Hughes**—I was talking about the producers rather than marketplace response, but from a producer perspective a local comedy at a low budget which can clearly palpably appeal to a local audience because you have a local name that is successful in theatre or on television or something is going to be easier to finance and is also going to be something which is going to appeal to the local market. Those can be made on lower cost structures, so that is one way to go at the lower level. Then if your ambitions are to penetrate the international market you acknowledge the difficulties of that and you step up a little bit by using the elements that have some resonance in the international marketplace.

**Senator MARK BISHOP**—Understood. Tell me, the AFFC ended the financial year with a net loss of \$5 million. What were the main reasons for that?

**Ms Hughes**—I might pass that on to my financial controller, Michael Malouf.

**Mr Malouf**—The reason for that is the accounting treatment in relation to the provision for losses on film investment. We provide on film investments a rate with the expectation that there will be a loss over its expected life.

**Senator MARK BISHOP**—I understand that. You write them off over a certain period of time depending on the genre.

**Mr Malouf**—And the result of that is the cash carryover from one year to the other. You can only provide against an investment when you actually expend the money. So if in one year you do not expend the money but commit the money, you cannot provide against it. So what happens in the following year when you actually do expend the money is the provision increases and the amount against the Commonwealth grant which is treated as a revenue—

**Senator MARK BISHOP**—So there would have been a \$5 million abnormal surplus in the previous year, is that the case?

**Mr Malouf**—That is the case.

**Senator MARK BISHOP**—Minister, the Film Licence Investment Company capital raising attempted to raise something in the order of \$40 million, from memory, and I am advised they raised \$21.4 million. What are the reasons for the shortfall and is it of concern, if my advice is correct?

**Ms Morris**—I will answer that. The two FLIC pilot companies raised just over \$20 million. They were both pilots; it was a new scheme that was being trialled.

**Senator MARK BISHOP**—The bill went through about two years ago, didn't it?

**Ms Morris**—Yes, I think that is right. And it also was to test the market for private investment in film. So they were allowed to raise up to \$40 million. One raised significantly more than the other. Between the two of them they got to just over \$20 million.

**Senator MARK BISHOP**—So they had a ceiling, if you like, of \$40 million.

**Ms Morris**—Yes.

**Senator MARK BISHOP**—In total they raised a bit over \$20 million. As far as they were concerned, was the optimal amount \$40 million or something less than the \$40 million that they were seeking to raise?

**Ms Morris**—It is hard to know without asking them that themselves. I think they would have liked to have raised between \$10 million and \$20 million each and one did get in that target range; one had less than \$10 million.

**Senator MARK BISHOP**—So one did get within the target range, and presumably the response is categorised as satisfactory; is that correct?

**Ms Morris**—Yes. It is a bit hard. The capital raising was really just the first stage of the process. They are now looking at investing in product.

**Senator MARK BISHOP**—At this stage I do not want to go into what they are going to do with the proceeds they have raised. What I want to find out from you or perhaps the minister or Mr Stevens is why the second raising so clearly fell short of its target. Do we have any analysis as to those reasons?

**Ms Morris**—Yes, we have looked at the capital raising stage and considered what happened there. The company that did raise the higher amount was the Macquarie FLIC which, being part of the Macquarie Banking Corporation, I suppose had readier access to established procedures for raising money—links to the corporate world. They also had different offerings, they had different approaches, and that was part of the whole intention of piloting it.

**Senator MARK BISHOP**—Who was the second—

**Ms Morris**—It was called Content Capital.

**Senator MARK BISHOP**—Correct me if I am wrong; I do not want to be pejorative if it is not necessary. Where did they fail? What was their mistake, if you like?

**Senator Alston**—It is a market testing exercise in many respects. They both had a suite of productions that they would like to raise funds for. I cannot recall the detail, but their offerings were separate, and therefore you would expect a different market response. Quite often you do not know until you go out there, and that is the purpose of a pilot project. So I do not know that necessarily it reflects on the organisation or the capital raising structure; it simply tells you that it may be a pretty tough climate out there generally, and timing is often everything in terms of fundraising.

**Senator MARK BISHOP**—Sometimes it is.

**Senator Alston**—If you were a dot com, you did not need much of a business case six months ago, did you?

**Senator MARK BISHOP**—But there were significant tax advantages in this, weren't there?

**Senator Alston**—Yes; 100 per cent is pretty good. If you look at it comparatively internationally, that is generous. But again, at the end of the day, you cannot say that because a range of different investors did not stake their life savings on something, that means that someone got it wrong. You just do not know until you test the water.

**Senator MARK BISHOP**—I am inclined to accept those comments. My memory of this is that there was considerable discussion two or three years ago as to the appropriate ways to raise finance and capital for the film production industry. There was an inquiry or a report. We were involved in that. The bill eventually went through, supported by the opposition, from memory, or with only minor amendments. There was considerable interest in the industry as to whether it was going to be successful or not as a possible path for the future in terms of raising capital. One of the capital raising projects has been, Ms Morris advises us, reasonably successful—the one handled by Macquarie. The other has not been as successful as its proponents would have desired. I accept that you cannot always raise the maximum amount of capital in every raising. They were pilot projects. There are obviously lessons from the successful one. My question is: what lessons are there from the one that was less successful, on the basis that this is, as you say, a pilot for the future?

**Ms Morris**—I think there are probably two variables between the two companies. One is, as I said earlier, Macquarie are part of a larger corporation and had greater resources to help them with their fundraising. But the other is that Content Capital had a different business plan and were thinking long term about less traditional movie product. They were thinking long term about new media. That was part of their business plan. I think they did get some collateral from the collapse of share prices to do with new media on-line companies—timing, effectively. I would also point out that they raised just over \$20 million, but that is about as much as has been raised under 10BA in any of, say, the last five or six years, and money was also raised under 10BA alongside that. So that is \$20 million worth of more investment for Australian film product.

**Senator MARK BISHOP**—Okay. I thank the officers for that advice.

[10.19 a.m.]

**Department of Communications, Information Technology and the Arts**

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**CHAIR**—We move to outcome 1 and output 1.1—Playing Australia.

**Senator MARK BISHOP**—In relation to Playing Australia, is the minister or the department aware of the special circumstances that exist in Western Australia of the long distances companies have to travel within their own states to tour their productions?

**Senator Alston**—Going back now some years, it was certainly my view when we inherited Playing Australia and the touring program generally that, whilst it was a welcome initiative in terms of getting companies to go interstate, states like Western Australia in particular had vast distances to travel just to get to the next capital city and it was a shame if they could not go via the provinces. We ultimately allowed them to do just that, and the funding was adjusted accordingly.

**Senator MARK BISHOP**—To allow them to—

**Senator Alston**—To be funded for an intrastate component of an interstate trip. Understandably, as a function of geography, particularly in Western Australia—and I suppose to a lesser extent Queensland—people have pointed out that just by going from Esperance to Port Hedland you are going a lot further than anyone in Victoria would ever think of travelling in order to go from Melbourne to Sydney and that therefore special circumstances should apply. That has been my consistent view. I think it is a view that we put in the Nugent processes, and I think the Nugent recommendation was to look favourably on that. If Nugent did not have that view, then I did.

**Senator MARK BISHOP**—For once we agree.

**Dr Stretton**—Nugent did not make that recommendation.

**Senator Alston**—There you go. It has always been my view and it remains my view. I therefore had it referred to the Playing Australia committee. They are currently looking at it, but their view is that in other similar circumstances the states make a contribution. And if we are talking here about effectively allowing wider access to the same pool of funds then it may disadvantage others, and therefore the states should be invited to suggest what level of contribution they might be prepared to make. I think those negotiations are currently in train.

**Senator MARK BISHOP**—The former Minister for the Arts in Western Australia, Mr Board, on ABC Radio on 2 November said that he had had a conversation with the federal arts minister that the Playing Australia guidelines would be changed to allow intrastate as well as interstate touring. Are you aware of that comment by Mr Board?

**Senator Alston**—That would be consistent with the discussions we have had. As I say, we followed that up by requesting the Playing Australia committee to look at how we might proceed, and that is how they have come back to our in-principle support, by saying, ‘Yes, but you also ought to look at what has happened in other areas.’

**Senator MARK BISHOP**—For those states that wish to avail themselves of funding for intrastate touring—obviously the high cost ones are going to be Western Australia and possibly Queensland—are you looking for the respective states now to make some form of contribution to that?

**Senator Alston**—Yes.

**Senator MARK BISHOP**—Do you have any figure in mind?

**Senator Alston**—No. I think I would be very much taking the advice of the experts on this, but I think they are in the process of exploring it. The worst outcome would be if more federal funds became available and that resulted in the states actually cutting back on their level of

funding. What we would like to see here is an increase from both. If it is important to the states, then they ought to be prepared to back that up with additional support.

**Senator MARK BISHOP**—When do you think those negotiations will be concluded?

**Senator Alston**—I do not know. Fairly quickly. It is some weeks now since we got a response from them along the lines I have indicated, so I assume that they are still all paddling away.

**Senator MARK BISHOP**—So what was the answer to when you think those negotiations might be completed?

**Senator Alston**—I would think in the fairly near future. It is a matter for your colleagues, I suppose.

**Senator MARK BISHOP**—There is a new government in Western Australia.

**Senator Alston**—They are only just coming to terms with it. It may not be a top priority. Certainly I think the Commonwealth is ready and willing to cooperate on it.

**Senator MARK BISHOP**—What is the normal pattern in these things? Is it 50-50 or is it different percentages?

**Dr Stretton**—I think the Playing Australia committee looks at each individual proposal they get on a case-by-case basis. They have to make an assessment in terms of the number of towns the tour may be going to, the level of commercial commitment the local agent has to it and, of course, the level of funding they are getting from the state government as well. So there is no hard and fast rule. There is no threshold you have to jump over. They look at each project on a case-by-case basis, but they are the types of issues they would be looking at.

**Senator MARK BISHOP**—Is particular regard held for the long distances between towns or cities in Western Australia and the high transport costs because of that?

**Dr Stretton**—I think so, even under the current arrangements. I am not suggesting that therefore we should not go any further. To give you an indication that that is the case under the current arrangement, Country Arts WA received a grant of slightly more than \$87,000 to tour *Road Train* by the Perth based company Make a Mile Productions during 2000. The tour encompassed 21 Western Australia towns, three Northern Territory centres and four South Australian centres. So clearly it was a strongly Western Australia based tour.

**Senator MARK BISHOP**—That is not purely intrastate. That is attached to an interstate tour. My comments are directed to state organisations in Western Australia wanting to go down the path of intrastate tours.

**Dr Stretton**—I was just trying to show you that the committee is aware of these issues even under current arrangements, and certainly they would be under any future arrangements.

**Senator Alston**—For what it is worth, I can remember canvassing this with one of the eastern states Labor arts ministers, and he said—

**Senator SCHACHT**—There are many of them now, aren't there?

**Senator Alston**—There were three.

**Senator SCHACHT**—What about Tasmania? That is on the eastern side of Australia.

**Senator Alston**—You would have normally left them out, wouldn't you?

**Senator SCHACHT**—You are the one leaving them out.

**Senator Alston**—I was not leaving them out.

**Senator SCHACHT**—You said three.

**Senator Alston**—Three males.

**Senator SCHACHT**—There are four Labor arts ministers in eastern Australia.

**Senator Alston**—I just said ‘he’.

**Senator SCHACHT**—I know it is hard for you to count to that number, but—

**Senator Alston**—I said ‘he’, and I then followed up by having in mind Carr, Bacon and Foley. All right? One of those three said to me that he did not think that would be a good idea because he wanted to take the credit for the state actually providing those funds for intrastate touring. All I am saying to you is that it should not just be an exercise of how much we can get out of the Commonwealth, because the states themselves might see a positive advantage in it being a state based response to a state based need.

**Senator MARK BISHOP**—That is fine. All strength to that particular state minister. He can fund accordingly within his own state. That is not the discussion we are having, either.

**Senator Alston**—No. We accept that we are prepared to make a contribution but, if you stand back from it, the original concept was that the Commonwealth should accept responsibility on a more national basis—going from one state to another was semi-national—building in an intrastate component. You still had the national concept, because you were going over the border. To have a purely intrastate touring is really moving some distance away from normal Commonwealth obligations, and that is why I say I think it is the only reason that the states should look at it in terms of it being their primary responsibility. As Dr Stretton said, I do not think there is an across-the-board formula on these things. But at the end of the day the states have a serious interest in doing more than just asking the feds—

**Senator MARK BISHOP**—I understand. I think we have done that issue to death. It is under review by the committee and we will expect advice in the near future. I want to talk now about the Western Australia Symphony Orchestra. Dr Stretton, are you the person?

**Dr Stretton**—Yes.

**Senator MARK BISHOP**—You are aware of the financial position of the Western Australian Symphony Orchestra? You have that under review? Can you just outline to us the concerns there?

**Dr Stretton**—My understanding is that over the last couple of years the Western Australia symphony has been running a deficit. The accumulated deficit, I understand, is around \$2 million at the moment. This is a fairly sharp turnaround from their performance in previous years.

**Senator MARK BISHOP**—Going into accumulated deficit?

**Dr Stretton**—Yes.

**Senator MARK BISHOP**—Prior to that, had they been in balance or surplus?

**Dr Stretton**—I think close to in balance, yes.

**Senator MARK BISHOP**—Have any requests been made to the Commonwealth to cover that deficit?

**Dr Stretton**—There have been discussions between WASO and the Western Australian government officials plus Commonwealth officials and, as a result of that, both governments have agreed to rephase this year’s funding so as to assist the orchestra in meeting its cash flow

difficulties. The WASO has also been asked to prepare a new business plan which annualises ways in which they can trade out of their current situation.

**Senator MARK BISHOP**—When would they conclude preparation of that new business plan?

**Dr Stretton**—Sorry, I am not quite sure. I can get back to you.

**Senator MARK BISHOP**—All right. Minister, are you aware that much of the funding required to keep WASO afloat—I think something in the order of \$1 million—was withheld by the ABC three years ago when WASO was incorporated?

**Senator Alston**—I am aware of the argument, and it has certainly been put on a number of occasions. The ABC response is that the moneys were received by them in advance, in other words, on a subscription system basis, but that they did actually use it for WASO and other orchestra improvements. It is not just a Western Australia issue. So the ABC basically pleads not guilty and has an explanation. In those circumstances, I think it is difficult for us to prosecute the case any further. I have never seen the detail of precisely how much was taken and where it all went. But my understanding is that there have been discussions between orchestras and the ABC about all of this. If people are unsatisfied with the outcome, you would think they would come back to us with another level of detail to demonstrate that it is not so.

**Senator MARK BISHOP**—And they have not come back to you?

**Senator Alston**—Not to my knowledge, no, apart from running the primary argument on more than one occasion.

**Senator MARK BISHOP**—I am aware of that argument, like everyone is, but it is, as you say, just an argument. If we do not accept its prima facie veracity, the question becomes: have they provided additional or further information to the department or to you?

**Dr Stretton**—I am not quite sure whether we have had anything recently. But this obviously was a major issue at the time that Symphony Australia was set up and the various orchestras went through the process of corporatisation, subject to significant detailed discussion between Commonwealth, state and ABC officials. My memory was that most states were satisfied that the \$32 million which the ABC set aside for orchestras was a fair and reasonable amount. They certainly appreciated the fact that, despite the fact that other areas in the ABC were being asked to make contributions in terms of decreased expenditure at that time, the orchestras were not required to do that; that \$32 million was isolated from that general cutback in expenditures. All of the orchestras had exactly the same problem.

Basically, the ABC decided that the best way to handle this was on a cash accounting basis. They worked out what each orchestra would need to continue at its previous level of activity—what level of cash they would need to do that. That is where the \$32 million came from. And they distributed that appropriately. As I say, it was not subject to any reductions. All of the orchestras were in the situation where they had subscription fees which had already been paid in. WASO was not in any way different in that respect and some, like the MSO, had significantly more in that area. So generally speaking, I think most state departments and orchestras felt that it was done reasonably fairly.

**Senator MARK BISHOP**—All right. I do not know if this is a question to you, Dr Stretton, or to you, Minister. But the issue of the \$1 million in respect of WASO has been raised. They have made the complaint. The ABC has offered a response which appears to be

adequate at this stage. If this is to be pursued any further, you would expect further detail as to their complaint?

**Senator Alston**—Yes, I think that is right. I think Dr Stretton was saying that we have not had that to date.

**Dr Stretton**—Not that I am aware of. If so, I can come back to you. As I say, it is the only orchestra I am aware of which has this particular concern.

**Senator MARK BISHOP**—Understood. The purpose built accommodation for WASO has been sold by the ABC. Where is WASO going to be located now?

**Dr Stretton**—I understand that they are currently looking at a number of options. I do not think they have reached a decision yet as to which is their preferred option.

**Senator MARK BISHOP**—How is their new home to be funded? By themselves?

**Dr Stretton**—They are an incorporated body.

**Senator Alston**—I think it is fair to say that the principal offer comes from the University of Western Australia at the Matilda Bay site. The discussion I had most recently with the vice-chancellor suggested that they were very keen and therefore presumably prepared to be very helpful. There was a slight political hiccup because I think the mayor of Nedlands said that they did not want the orchestra leaving the city or something, which I thought was a bit—

**Senator MARK BISHOP**—Superfluous issues.

**Senator Alston**—He did not want it. Is that right?

**Dr Stretton**—I am sorry; I do not know.

**Senator MARK BISHOP**—It was in the city of Perth.

**Senator Alston**—He did not want them moving outside the city lights out into the suburbs. To say that Nedlands is a country town struck me as a bit bizarre.

**Senator MARK BISHOP**—There was some press to that effect in Western Australia.

**Senator Alston**—It was obviously a quiet news day.

**Senator MARK BISHOP**—The question is: are you aware that those negotiations have concluded as to a home for—

**Senator Alston**—No.

**Senator MARK BISHOP**—They are ongoing?

**Senator Alston**—They are still very much alive.

**Senator MARK BISHOP**—Do you have any idea of a time frame there? Have you been advised?

**Senator Alston**—Now that the election dust has settled I would hope that the new Western Australia arts minister will be looking very seriously at exploring certainly that proposal, which I thought had a lot to commend it, and any others that might make sense as well, obviously.

**Senator MARK BISHOP**—The Commonwealth has to match funding, does it not? It requested \$8 million a year?

**Senator Alston**—No, they do not have to.

**Senator MARK BISHOP**—There is a request for the Commonwealth to match—



**Senator Alston**—The furthest we ever got was that the state said they would like us to consider a sum of money. It was obviously predicated on the state itself putting some hard currency on the table and they never got around to doing that.

**Senator MARK BISHOP**—The advice I have received is that the previous government in Western Australia had committed \$8 million and the University of Western Australia had committed \$4 million respectively towards the construction of new accommodation for the WASO and the request to the Commonwealth was to match the state funding of \$8 million before they could proceed.

**Senator Alston**—You might be right. They may have asked for a specific number.

**Senator MARK BISHOP**—I think I am right. Mr Stevens, you will be able to help.

**Mr Stevens**—I have a recollection. I have seen those figures, but I do not know if they were a specific request or whether they were simply -

**Senator MARK BISHOP**—If you have seen those figures, in what context did you see them?

**Mr Stevens**—It is not a question for me; it is for the West Australian side—whether they spoke to the symphony orchestra.

**Senator Alston**—It certainly went off the boil. I thought they were going to be progressing this a lot earlier.

**Senator MARK BISHOP**—It was a live issue going back to October-November. I suppose it has been lost in Christmas and the elections. But my understanding is this, just to repeat it: the state had offered \$8 million, the university had offered \$4 million—that is, \$12 million—and they wanted a matching allocation of funds from the Commonwealth of \$8 million for the purpose-built accommodation. The request had gone to the Commonwealth and they were awaiting a response. I am asking you: what is the Commonwealth's position on that request?

**Senator Alston**—I think that would only make sense if you had agreed that the university would be the location. I think, ahead of that, it is premature to be asking the Commonwealth to be contributing.

**Senator MARK BISHOP**—Presumably, if the university is throwing in \$4 million.

**Senator Alston**—I did not think WASO or the state government—

**Mr Stevens**—I think our understanding is that WASO themselves have been certainly opposing some of these things but we have had no firm proposition from the state government in Western Australia, which clearly is a matter for the incoming government to pursue.

**Senator MARK BISHOP**—So you have had no written request—

**Mr Stevens**—From the West Australian government. That is my understanding.

**Senator MARK BISHOP**—Have you had any request along the same lines from the University of Western Australia, from WASO?

**Mr Stevens**—WASO has certainly raised the issue.

**Senator MARK BISHOP**—Yes, as an idea.

**Mr Stevens**—As a proposal.

**Senator MARK BISHOP**—As a proposal. And the university?

**Mr Stretton**—Not that I am aware of.

**Senator Alston**—I think it is fair to say that the university has been very keen to progress this, but it has not reached that point of finality as far as the state government or WASO itself are concerned. I think it was primarily in the bailiwick of the state government.

**Senator MARK BISHOP**—I am not arguing against that proposition.

**Senator Alston**—But certainly there have been a lot of explorations along these general lines. All I am saying is that I do not think it ever got to the point where everyone else had agreed and they were just coming to us to cap it off.

**Senator MARK BISHOP**—All right, then. If the new government did make such a request along those lines, what would be the attitude of your government?

**Senator Alston**—I cannot prejudge it, obviously. We would give it every consideration, but I do not know what the proposal would be like. I just cannot hazard a guess. It might be unrecognisable. It might be—

**Senator MARK BISHOP**—Would you be able to give any guarantee that WASO would be assisted to ensure it continues to provide this important art service to the community in West Australia?

**Senator Alston**—I do not think that it is our primary responsibility.

**Mr Stevens**—I think, as the minister said, we do not have a firm proposal from the West Australian government at this point. So it is premature to talk about how we might respond.

**Senator MARK BISHOP**—Okay. That is fine.

**Senator Alston**—I have got a note here from the *West Australian* saying that the new arts minister will have the final say on whether the university collaboration goes ahead. So really that is the first thing that has to be resolved.

**Senator MARK BISHOP**—Okay. I want to talk about the National Portrait Gallery now.

**Senator Alston**—Whose portrait would you like hung?

**Senator MARK BISHOP**—Mr Cook's portrait.

**Senator Alston**—Captain Cook.

**Senator MARK BISHOP**—In respect of the acquisition of a portrait of Captain James Cook, are you aware that the gallery has committed its total acquisitions budget until 2002 to put towards what is categorised as an essential \$5.3 million purchase?

**Senator Alston**—Of course, other private philanthropists did contribute as well.

**Senator MARK BISHOP**—They did. I did not say that it was the sole—

**Senator Alston**—No. No, I am not aware of that.

**Senator MARK BISHOP**—Mr Sayers?

**Mr Sayers**—Yes, it is not entirely true that all of the gallery's acquisition funds for the next two years have been put towards the Cook purchase.

**Senator MARK BISHOP**—Perhaps you could then—

**Mr Sayers**—In that there are other sources of funding through private donations which have come to the gallery specifically to acquire portraits.

**Senator MARK BISHOP**—I understand that some benefactors have provided a serious amount of funds to assist in the purchase of this particular painting. We all understand that. That is not my question. My question is: has the totality of the acquisitions budget for the gallery until 2002 been allocated to the purchase of this particular object?

**Mr Sayers**—No, there have been further private donations in addition to the two donations specifically to the purchase of the Cook. Gordon Darling, the founding patron of the National Portrait Gallery, has given us \$100,000. Marilyn Darling, the deputy chair of the Portrait Gallery Board, has given us \$100,000 specifically to commission and to acquire contemporary portraits. We have recently received benefits of a bequest from a Sydney man completely unknown to the National Portrait Gallery who is giving us funds specifically to acquire works by living Australian artists in the field of portraiture. So the answer is that we have a difficulty buying historical portraits, but in terms of adding to the collection with contemporary portraits, there are other sources of funding which have come our way to assist us there.

**Senator MARK BISHOP**—You have new and additional sources of funding from private benefactors for the purchase of contemporary art, if you like. That is what you just outlined with the man from Sydney and Mr and Mrs Darling. In terms of the bulk of your acquisitions budget, is that from private sources or funded via the Commonwealth?

**Mr Sayers**—Within the appropriation, we allocate \$100,000 of the budget normally towards acquisitions each year. The whole of that \$100,000 within the Commonwealth funds is allocated over the next two years towards the Cook purchase.

**Senator MARK BISHOP**—Right.

**Mr Sayers**—But that \$100,000 is—

**Senator MARK BISHOP**—Not much.

**Mr Sayers**—Matched by these large private benefactions. Just to clarify a point, I only mentioned the largest three of those; there are other funds which come our way specifically to fund individual purchases and gifts.

**Senator MARK BISHOP**—Thank you. So your ability to make acquisitions between now and 2002 is not materially affected by the allocation of that \$100,000 solely towards the Captain James Cook portrait?

**Mr Sayers**—I believe that acquisitions are one area where we have a very good chance of seeking sponsors or seeking private donations. Usually, you find in the community that there are people who are specifically interested in a particular historical figure, or a particular person in a particular field of endeavour and they are prepared to fund acquisitions. If something were to come up of major historical significance, we would seek to act as a network of private sponsors.

**Senator MARK BISHOP**—Understood. You would be aware that Mr Alan Bond once owned this rare portrait, wouldn't you?

**Mr Sayers**—Yes.

**Senator MARK BISHOP**—Can you confirm that Mr Bond has no other association with the painting other than being a prior owner when that painting was sold?

**Senator Alston**—You mean: does he have any continuing claim to it?

**Senator MARK BISHOP**—Or through companies he has an interest in, or through any other means?

**Mr Sayers**—We purchased it from the liquidator. One of the areas that we were very keen to assure ourselves on was that no funds would go back to Alan Bond, any family members or any companies currently associated with him. That assurance was given by the liquidator.

**Senator MARK BISHOP**—That assurance was given by the liquidator to you as the purchaser. Did they provide you with any details of investigations that satisfied you that their undertaking was given in a bona fide manner?

**Mr Sayers**—They provided us with extensive documentation to demonstrate that as the liquidator of Southern Equities Corporation they had good and total title to the picture.

**Senator MARK BISHOP**—You have not received any advice or evidence to the contrary subsequent to purchase?

**Mr Sayers**—No.

**Senator MARK BISHOP**—The funds that were paid to the liquidator were \$5.3 million. Are you aware of how the liquidator disbursed those funds?

**Mr Sayers**—No.

**Senator MARK BISHOP**—Have you made any inquiries?

**Mr Sayers**—No.

**Senator MARK BISHOP**—So having received those assurances and been provided with information in a written form, you had that looked at by your lawyers?

**Mr Sayers**—Yes, the undertaking was a part of the process of negotiating the contract of purchase.

**Senator MARK BISHOP**—Who did those negotiations?

**Mr Sayers**—The negotiations were undertaken through the department's legal branch. Advice was sought from the Australian Government Solicitor. Legal advice was also sought at various points from other sources that were able to throw light on this, and the contract was negotiated by Sydney law company Deacons.

**Senator MARK BISHOP**—On behalf of the gallery? Okay. This is a very arcane area of law—title to paintings. Was part of the brief to Deacons to ensure that the liquidator was capable of passing on title untainted by any other payments?

**Mr Sayers**—Yes, part of their brief was to ensure that, to the full extent that we could, the liquidator would provide an undertaking that no moneys were to go to Alan Bond, his family or any companies associated with him, and that was the extent of the undertaking we required from the liquidator in the sense that Deacons were not asked to investigate every single disbursement that was made by the liquidator.

**Senator MARK BISHOP**—That is what I am trying to find out. Was the brief to Deacons to receive and understand the nature of the undertakings given by the liquidator in terms of his investigation, or were Deacons given separate instructions to do their own investigation and advise the gallery and the government as to title?

**Mr Sayers**—I think there are probably two parts to that question. Deacons, as the firm charged with framing the contract of purchase, would, we expected, as a matter of standard legal procedure, do everything in their power to ensure that we were buying something to

which the seller had good title, and they certainly went down that path. In terms of the relationship with Bond or his companies, they were simply charged to get an undertaking from the vendor—liquidator—at no proceeds would go back to Bond, any of his family or companies.

**Senator MARK BISHOP**—I understand. That is fine. That concludes that. Thank you, Mr Sayers.

**Senator SCHACHT**—What was the purchase cost again?

**Mr Sayers**—It was \$5.3 million.

**Senator SCHACHT**—Is that the largest single art purchase by a public institution in Australia?

**Mr Sayers**—It is.

**Senator SCHACHT**—Was any advice or pressure put on the board or the National Portrait Gallery or the selection committee from government to purchase the portrait?

**Mr Sayers**—No. The National Portrait Gallery board believed that it would be an appropriate and very significant painting to add to the gallery's collection.

**Senator SCHACHT**—In view of the fact that some of the money is public money provided by the government, as I understand it, did the board or the National Portrait Gallery seek to have consultation with the government via the minister or the Prime Minister over the approval of such a large expenditure? Mr Sayers, did the board of your organisation seek to have consultation and discussion with the government about the purchase of the portrait?

**Mr Sayers**—Yes. The purchase sum which the government would be required to contribute towards the purchase is substantially in excess of the \$100,000 allocated within our budget, so yes.

**Senator SCHACHT**—There was discussion?

**Mr Sayers**—Yes.

**Senator SCHACHT**—The government obviously approved the purchase?

**Mr Sayers**—Yes.

**Senator SCHACHT**—But there was no initiative from the government first to lobby you to purchase the painting?

**Mr Sayers**—The process was that the painting was first offered to me as director of the National Portrait Gallery by the agent for the liquidator. As National Portrait Gallery director I said, 'Let's see what we can do.'

**Senator SCHACHT**—Thank you for that. The National Gallery purchased Blue Poles for \$1.5 million in 1973, and that purchase caused great controversy at the time. I think now Blue Poles is almost at the priceless stage. If we wanted to sell it, the figures talked about are \$20 million or \$30 million, which is an increase of thousands of per cent. Do you think that, if it were put on the market in 20 years' time, the Captain Cook portrait would be worth \$50 million or \$100 million?

**Mr Sayers**—It is impossible to predict the art market.

**Senator SCHACHT**—I have to say that, if you find someone in 20 years' time—if I am still alive—willing to pay the appreciation that Blue Poles has gone through, let us all know.

**Mr Sayers**—I think the answer would be that we expect it to appreciate, but the extent to which it will, we have—

**Senator SCHACHT**—The view you have is that this was the only portrait available where the painter had actually met Captain Cook. Is that the point?

**Mr Sayers**—That is correct. There were five portraits painted in the 18th century.

**Senator SCHACHT**—And that is authenticated, is it?

**Mr Sayers**—Absolutely. Cook from life—

**Senator SCHACHT**—Sorry?

**Mr Sayers**—There were five portraits painted—

**Senator SCHACHT**—But he did not actually sit for the portrait; is that right?

**Mr Sayers**—It is posthumous. The portrait that the National Portrait Gallery bought was painted in 1782, after Cook's death. But the artist who painted it had painted Cook twice from life in the 1770s and therefore knew his subject intimately. One of those is in New Zealand and one is in the National Portrait Gallery in London. The other two portraits have Cook from life in the 18th century and are in New Zealand, and one was, in fact, given to a Tahitian chief. We do not know where that has gone. There was only one picture left

**Senator SCHACHT**—Thank you very much.

**Senator MARK BISHOP**—I forgot to ask questions on the Australia Day committee, and these are probably directed to the minister. When did you or the government become aware that the National Australia Day Council was in financial crisis?

**Senator Alston**—I do not know whether crisis is the right word, but we often get news of stories. I think it was in the *Australian*.

**Senator SCHACHT**—On Australia Day, wasn't it?

**Mr Stevens**—The department was aware that there were concerns about that in January.

**Dr Stretton**—Just before Australia Day.

**Mr Stevens**—It was raised with us that there were concerns and we investigated them.

**Senator MARK BISHOP**—The *Australian* article was on Friday, 16 February.

**Mr Stevens**—It was a matter on which we dealt with Minister McGauran rather than Minister Alston.

**Senator MARK BISHOP**—Is it?

**Mr Stevens**—As Minister McGauran is the arts minister, he is the one who has day-to-day responsibility for this issue. So Senator Alston was not across the issue at that stage.

**Senator MARK BISHOP**—Is Senator Alston across the issue now? Whose responsibility is it? Yours or Mr McGauran's?

**Senator Alston**—I think it is still largely Mr McGauran's.

**Senator MARK BISHOP**—So Mr McGauran was informed of the crisis two or three weeks prior to Australia Day this year?

**Mr Stevens**—I cannot tell you when he was informed. He told me about the concern on the Thursday evening before Australia Day.

**Senator MARK BISHOP**—So that was the 24th?

**Mr Stevens**—The 24th or 25th I think. He rang me to say that he had a discussion and we should do something to have a look at the issue.

**Senator MARK BISHOP**—Who rang you?

**Mr Stevens**—Minister McGauran.

**Senator MARK BISHOP**—Did Minister McGauran advise you when he was advised of the problems?

**Mr Stevens**—My understanding was that it was in the last few hours, but I cannot be sure of that.

**Senator MARK BISHOP**—The last few hours prior to him ringing you?

**Mr Stevens**—Yes, prior to him ringing me. I should say that there have been concerns going back a long while with regard to some of the financing of the National Australia Day Council, which Dr Stretton could talk to you about. It is not as if this is a totally new issue, but the concern that was raised was of a more serious nature than perhaps the ongoing issues had been so far.

**Senator MARK BISHOP**—The immediate concern on 25 January was more serious?

**Mr Stevens**—Exactly.

**Senator MARK BISHOP**—That went to what: major cash flow problems?

**Mr Stevens**—I believe in part it was a concern with sponsorship that had not eventuated in this current financial year.

**Senator MARK BISHOP**—Is the government preparing any plans to ensure that the Australia Day council is properly funded in the future and that this situation does not arise again?

**Mr Stevens**—We have some auditors looking at the issue at the moment with regard to the finances of the National Australia Day Council. They will report back to us in a couple of weeks and we will take their points at that stage.

**Senator MARK BISHOP**—So you will get a report from the auditors in a couple of weeks time and then review it.

**Mr Stevens**—Exactly.

**Senator MARK BISHOP**—We will probably revisit the issue then in May. That concludes my questions. I have some questions on the GST which I might put on notice.

[11.02 a.m.]

#### **National Museum of Australia**

**Senator LUNDY**—Given that opening day is imminent, as I am sure you are fully aware, I wanted to ask some general questions about the museum's requirement to raise revenue. What is your requirement to raise revenue? Have you been set a figure? If so, how was that figure calculated?

**Ms Casey**—We were set a figure of about \$4.2 million. That was set several years ago based on a very preliminary estimate of our running costs. We came up with that figure because it was about \$21 million and we were allocated \$17 million, hence the request to raise \$4 million. Also at this time it was agreed that there would be a review after our first year of operation to see whether or not that was a reasonable target.

**Senator LUNDY**—How has that target been affected by the decision, which was supported by the opposition, for the museum not to charge an entry fee?

**Ms Casey**—In fact, part of that \$4.2 million incorporated the fact that we would charge an admission charge.

**Senator LUNDY**—You would?

**Ms Casey**—Yes, we would charge an admission fee at that stage, which was several years ago. So incorporated into the revenue target was the issue of an admission fee. As I said, there is going to be a pricing review of our operation at the end of the year.

**Senator LUNDY**—By implication, because you are now not charging an entry fee, which, as I said, is quite appropriate, that in fact could put additional pressure on the museum's revenue requirements.

**Ms Casey**—That is correct, but there is a pricing review at the end of the year which is definitely going to happen.

**Senator LUNDY**—Have you identified a dollar figure of that impact, at least in this first financial year, of not charging a fee?

**Ms Casey**—Our initial estimate of the admission revenue was about \$1.5 million for each year. So for this particular year, it will be approximately \$700,000.

**Senator LUNDY**—Unless you are completely overwhelmed with huge numbers every single day of operation.

**Ms Casey**—I am sure we are going to be.

**Senator LUNDY**—You could have a complete windfall.

**Ms Casey**—What assists in terms of not charging a general admission is that sponsors look more favourably because you have more people coming through.

**Senator LUNDY**—By that are you implying that you have a strategy to look at boosting your revenue sources from sponsors to try to help offset that shortfall?

**Ms Casey**—Yes, because I think we have an excellent product to offer sponsors so that they will look favourably, although it is very difficult in this area to attract sponsors to cultural institutions.

**Senator LUNDY**—Are your annual revenue figures or annual allocation figures being reviewed by the government in light of the decision not to charge an entry fee, or is it a challenge that you have to deal with within your current allocations, within your current financial plans and arrangements and reviews, et cetera?

**Ms Casey**—We have had agreement that a review can be undertaken in time for additional estimates if it is proving difficult without the general admission charges.

**Senator LUNDY**—So not by the budget but by the subsequent additional estimates. Is that scheduled for August?

**Ms Casey**—Yes, August. We are obviously having ongoing negotiations, but there was definitely a commitment to review our situation for additional estimates.

**Senator LUNDY**—So the door is still open with the department of finance?

**Ms Casey**—Absolutely.



**Senator LUNDY**—That is good to hear. I guess I am assuming that everything is on schedule for next month. Is that the case?

**Ms Casey**—Yes, for the opening. Everything is on target and on time.

**Senator LUNDY**—Can you give me the latest update on what is happening with the hospice site on the peninsula?

**Ms Casey**—We are currently negotiating with the National Capital Authority to see whether the museum in fact can take over the hospice and the superintendent's cottage next door.

**Senator LUNDY**—What previous agreements or understandings were in place about the availability of either the current buildings and infrastructure or indeed the land being transferred to the national museum?

**Ms Casey**—It has always been stated that the land is the responsibility of the National Capital Authority. In the last six months we have only just started negotiations in terms of the hospice. That was never in the negotiations to start with when building the museum.

**Senator LUNDY**—Correct me if I am wrong, but that is because the future of the hospice was unknown at the time of the establishment of the museum at the site?

**Ms Casey**—That is correct.

**Senator LUNDY**—Are you in a position to give some indication as to what the museum's aspirations are for the hospice site?

**Ms Casey**—We would like the hospice itself to be a research resource centre and we are looking at having open days when the public can bring in their objects, for instance, for advice. Also, we would be looking at housing some of the volunteers from our paddle steamer and our research and development section of the museum in the hospice and the library.

**Senator LUNDY**—Have you got a budget identified as yet for any potential refurbishment of that facility for those purposes?

**Ms Casey**—We have got a very preliminary estimate of approximately \$1.2 million.

**Senator LUNDY**—That might be an issue in additional estimates as well. In terms of your relationship with the NCA, is the museum facing any difficulties or challenges in terms of access to, for example, the jetty or to other NCA controlled land around the foreshore of the lake?

**Ms Casey**—The National Capital Authority is the planning approval body for access to all of the land with the exception, as I understand it, of the amphitheatre, which we have responsibility for. But if we want to have functions or activities outside of those boundaries we, of course, will have to have the agreement of the National Capital Authority.

**Mr Morton**—I think the important point there is that the users of the site have entered into a site management committee where they discuss matters of mutual interest. It seems to be working very effectively and there has been a high degree of cooperation between the NCA, the museum and AIATSIS in the use of the total site and common problems there.

**Senator LUNDY**—So do you have a committee or group established specifically for the purposes of coordinating those approvals, given they are likely to be required fairly consistently?

**Mr Morton**—Yes, we do.

**Senator LUNDY**—Does that include the use of the jetty by the PS *Enterprise*?

**Mr Morton**—The jetty has been constructed in a special way so that it can actually handle the *Enterprise*. But certainly that would be part of the discussion, if anything special was needed. But certainly the *Enterprise* is to go there.

**Senator LUNDY**—Do you need permission from the NCA on a specific basis for the *Enterprise* to use the jetty?

**Mr Morton**—I do not know what the actual arrangement will be. I do not think those discussions have actually taken place at this stage. But certainly there is an understanding on the part of the NCA that the *Enterprise* is an essential part of the museum and that, as I say, the jetty is specifically designed to hold it there. I would not anticipate that there were problems in relation to that issue.

**Senator LUNDY**—It has become clear to me that there are some issues in relation to car parking for museum staff. How many staff car parks have been provided?

**Ms Casey**—None currently, because the builders still have responsibility for the car parking. I have to say that car parking at the moment is extremely difficult for everybody. We have organised buses for our staff to be transported from our location at Mining Industry House several times a day. So over the next couple of months it is going to continue to be difficult until we bed down parking arrangements and identify the numbers of visitors that will be coming through.

**Senator LUNDY**—I appreciate the difficulties of this transition period around the opening with the construction companies pulling up stumps, clearing away their site sheds and all of those issues. But can you tell me if, following that handover period, you have actually identified and allocated a staff car parking area?

**Ms Casey**—No, we have not allocated any specific numbers of car parks to the staff at the moment, for two reasons. Firstly, we need to see how many visitors are coming through and what the pattern is and the rosters for all of the front of house, which are quite significant. So until we bed those down we have not specifically identified the number of car parks. It will vary depending on the period of time during the day as well. There will be variations on the numbers. So we are currently extensively looking at that situation.

**Senator LUNDY**—In terms of anticipated visitors, I presume you have got some estimates, projections, aims, goals and so on. Is it your intention to allocate a proportion of parking to staff that will actually mean that anyone working at the museum will be able to park on site? Is that your aim?

**Ms Casey**—Yes. There has certainly been a number of staff parking on site. But we are also looking at some other arrangements.

**Senator LUNDY**—In the long term?

**Ms Casey**—In the medium to long term. That is in terms of working closely with the ANU, for instance, and having access to car parking there and identifying other parking areas close by. The other issue is that under debate currently is whether or not car parking is going to be allowed on Lawson Crescent—so that would make a difference, for instance—which is just close by. So certainly we are looking at identifying arrangements for staff to park at the museum. The numbers are yet to be determined.

**Senator LUNDY**—From memory, there was quite a lot of discussion about the size of the site when the peninsula was first identified. Car parking spaces were no doubt always on your

agenda. Can you tell me when you realised that car parking was in fact going to become a problem or a challenge for the National Museum both in terms of providing adequate parking for staff and, indeed, as you say, the visitor numbers, which of course will fluctuate wildly depending on whole range of factors no doubt?

**Ms Casey**—I do not think it is a problem. I do not believe that the situation has changed since we first put the proposal forward. The difficulty currently that we possibly had not anticipated is the number of car parks currently being used by all workers on the site. But that will change over the next couple of months. The other issue is that currently we are training 65 front of the house staff that need to be on the site to be trained. But they will not be there on a day-to-day basis. You would not have those numbers. My advice is that the recent reports from the experts in parking have not changed from the initial figures.

**Senator LUNDY**—Have you got a process through which you are able to discuss these car parking issues with the staff of the National Museum?

**Ms Casey**—Yes, there are several being used. There are opportunities for staff to discuss a whole range of issues. I personally meet with all staff at the museum every fortnight. And that is for all staff. Some might be rostered off. But I meet once a fortnight. They can bring their concerns through the senior management, whom I meet with personally every Monday morning from 9 o'clock till 10.30. Over the next couple of months, we are having arrangements where I meet with some key managers three mornings a week to discuss the arrangements that need to happen or any issues that arise.

**Senator LUNDY**—You mentioned alternative arrangements made for staff cars and being bussed from a nearby car park. Can you elaborate on what those alternative arrangements are and how long you expect them to prevail?

**Ms Casey**—We currently have another facility at Mining Industry House, where most of us were located up until prior to Christmas.

**Senator LUNDY**—Where is that?

**Ms Casey**—That is off Northbourne Avenue.

**Senator LUNDY**—On the other side of the city?

**Ms Casey**—It is not that far away.

**Senator LUNDY**—I know, but I was thinking of somewhere closer.

**Ms Casey**—That is where people can park at the moment and have free car parking. We have a bus leaving and departing to that venue several times a day. The other car parks that we are looking at, as I said, are all of the ones with the ANU.

**Ms Hanley**—We met last week with the ANU to tell them of our situation and see if we could access their parking arrangements. They are somewhat constrained in their leasehold of their land, but they have undertaken to speak with the NCA and would try to come to some arrangement whereby we can access a car park of theirs which is no longer heavily used and which is actually close to the museum site.

**Senator LUNDY**—And the NCA, what involvement do they have in all of these negotiations? Obviously, parking on the crescent leading around to the museum is something that is very much on their agenda. Is it likely that they are going to give approval for that?

**Ms Casey**—My understanding is that they actually do not have the final authority on Lawson Crescent, that that is made by the ACT government; and the other area: they are

responsible for the car park at the National Museum and the institute. So we are negotiating with them over what sort of arrangement. A big difficulty with Lawson Crescent, and even the National Museum of Australia, is that people who park there work in town. So our arrangements need to, on the one hand, ensure that our staff can park at the museum—and you need to do that, though, to stop people who work downtown taking up the car parks. So we are looking at what sort of hours do you need to have in place to limit the people coming from town to park.

**Senator LUNDY**—A thought that has just occurred to me: in terms of all of this elaborate scheduling of buses and toing and froing, what sort of impact does that have on the working hours of your staff? That additional time to go through that elaborate process, does that mean that they have to leave home earlier or is it part of their working day? How are you compensating for that inconvenience?

**Ms Casey**—It could be that for a couple of people it could add extra time, but people—

**Senator LUNDY**—But is it your time or their time?

**Ms Casey**—But people all over Canberra, actually, either take buses or drive cars.

**Senator LUNDY**—No, but this is quite a specific case. There is no car parking on site; you are bussing them from across town. Is that on your time or their time?

**Ms Casey**—It is on their time currently, but, as I said, it is only for the next couple of months.

**Senator LUNDY**—Have you got buses waiting there all the time or are they on half-hourly intervals?

**Ms Casey**—The general bus service—there are half-hourly bus services to Acton Peninsula. What we are doing is over and above that, and we do it, I think, three times in the morning and three times in the evening at half-hour intervals. So that is in addition to an already pretty substantial service to that site.

**Senator LUNDY**—I do not want to take the point any further, but it is obvious that it is a significant inconvenience and it is good to hear that you are actually taking it seriously and trying to work your way through it.

**Ms Casey**—Yes, absolutely.

**Senator LUNDY**—It was very interesting to see a news report the other day.

**Ms Casey**—Which one?

**Senator LUNDY**—‘Uproar over stone imports’ is the one I am thinking of—I think that it was the *Age*—in which the issue was about where the museum sourced their granite products. It was raised and it identifies a South Australian company who believes that Australia would have been able to provide adequately the sort of granite that the museum -

**Senator SCHACHT**—We have got the best granite in South Australia.

**Senator LUNDY**—I thought you would intervene, Senator.

**Senator SCHACHT**—It is very smooth, very hard, does not wear out.

**Senator LUNDY**—Can you tell me what justification you have for using imports over available Australian produce and, perhaps more generally, what policies the museum has to try to source building materials from within Australia recognising, of course, that this is an ongoing issue with many construction sites and projects? I am interested in your explanation.

**Ms Casey**—I might just hand that one to Cradock in terms of the task force.

**Senator LUNDY**—Thank you.

**Mr Morton**—In terms of the second question first—the measures that we have: in June 1999 the alliance entered into a local industry development plan with the Industrial Supplies Office to assist us in maximising Australian industry involvement in the project and, in fact, we have had an ISO consultant located on the site.

**Senator LUNDY**—A what, sorry?

**Mr Morton**—An ISO consultant—an Industrial Supplies Office consultant—located on the site to actually source Australian product for us.

**Senator LUNDY**—Is he working for the museum or the contractors?

**Mr Morton**—No, he is working for the alliance. He is no longer there, but he was working for the alliance.

**Senator LUNDY**—So he was working for the builders.

**Mr Morton**—For the alliance, which comprises the builders, the client—

**Senator LUNDY**—The department.

**Mr Morton**—Yes.

**Senator LUNDY**—Okay.

**Mr Morton**—The granite itself: it is true that the granite that we sourced for the main hall was overseas granite. We certainly—

**Senator SCHACHT**—From India.

**Mr Morton**—No. There was white marble from Italy and there was some light speckled granite which was from China. At one stage we were contemplating using some red granite from India, but I do not think that we used that in the end. The issue was that originally we intended to go with polished screed in the main hall in a pattern, but we decided that that ran into too many risks in terms of what the finished product will be like. So at a late stage in the process we decided that we could not go with that and that we had to find an alternative product, and the alternative product that we needed to go with, we thought, was stone. We could not go with just any stone, because the stone really had to match the other colours and the design features of the main hall, which is a significant architectural space, as you are aware. So we went to our two suppliers to see what was available in terms of the requisite colours, and also the time frame in which they could be delivered. The time frame was particularly crucial because getting the floor on the main hall and in the temporary gallery as well was on the critical path for the project. So we had to really get it done in a very short period of time.

In terms of the delivery time and the colours that we needed, the only place that the stone could be sourced was China and, as I say, marble from Italy, and that is the way we went. But generally speaking, we would have loved to have used Australian stone had it been available in the colours that we needed.

**Senator LUNDY**—I would like to pursue the issue of timing. You say that late in the process the polished screed was not considered appropriate.

**Mr Morton**—Yes.

**Senator LUNDY**—Can you just give me an idea of the timing when that decision was made. Obviously, you provided quite a logical explanation in terms of the timing issue in terms of the sourcing of it, except for the fact that it was the timing of the decision that obviously made it inevitable that you would be required to source it overseas. So I am really questioning that organisation of the alliance that led to that decision having to go that way at the expense of Australian suppliers.

**Mr Morton**—The way we were using the screed, we in a sense learned from the experience of using the screed in other parts of the project. So it was not until some of the screed was done elsewhere that we had an appreciation of how it would stand up in a large area like the main hall. So that was quite late in the process. I suppose that was around—and I am speaking from memory here, so I am subject to correction—around March or April last year. So I think we looked to source the stone around April and I think the order actually went in in May and we were required to have the temporary gallery and the main hall substantially laid by November. So it was a relatively short period of time.

**Senator LUNDY**—And in terms of the delivery of that overseas granite, was that on time? Were there any delays in the provision of that marble?

**Mr Morton**—No, it came on time and we have been able to lay according to our program. I should say that it was a substantial risk bringing it from overseas, because we were subject to the vagaries of preparation over there and also shipping. Had the stone been available in Australia, that would have been a better option for us.

**Senator LUNDY**—So can you just run me through the investigations that were made in terms of exploring the local market and whether or not you took into consideration modifications to, I suppose, the architect's design to allow for Australian product to be used?

**Mr Morton**—I think - and once again I am speaking from recollection - we went to two local suppliers and they were invited to tender to supply and install. The subcontractors then negotiated with suppliers to give us a range of stuff that would be available in that time frame. Then I think the architect inspected the colours to see what was available and, on the basis of what was available, made a choice.

**Senator LUNDY**—In terms of the preference of the ISO, what was the—

**Mr Morton**—The ISO, the Industrial Supplies Office rep.

**Senator LUNDY**—Is that industrial supplies officer still with the museum, with the alliance?

**Mr Morton**—No, he is not. We did not need him because we have sourced most of our product.

**Senator LUNDY**—What are the museum's policies now—perhaps back over to you, Ms Casey—about sourcing Australian materials? Obviously post construction there will still be some requirements. Do you have a policy on that?

**Ms Casey**—Where possible we would in fact source from Australian material. In fact, we do have a requirement in terms of the shop merchandise, and for the most part—I think it is almost 99 per cent—it is Australian. But I would need to confirm that with my general manager. Yes, that is correct.

**Senator SCHACHT**—What was the value of that contract for the granite?

**Mr Morton**—The total value for the stone contract was in the order of \$500,000. The actual material—

**Senator SCHACHT**—How many tonnes?

**Mr Morton**—I could not tell you.

**Senator SCHACHT**—Could you take that on notice.

**Mr Morton**—I can find that out. I do not have that information with me.

**Senator SCHACHT**—You can take it on notice.

**Mr Morton**—Yes. The total cost of the subcontract was about \$500,000. The materials themselves cost \$170,000 and the remainder was in laying, which was done locally, of course.

**Senator SCHACHT**—So it cost \$170,000 to purchase it from overseas?

**Mr Morton**—Yes.

**Senator SCHACHT**—Including the transport costs?

**Mr Morton**—Yes.

**Senator SCHACHT**—Do you know whether child labour was used in China in preparation of the stone?

**Mr Morton**—No, I do not.

**Senator SCHACHT**—And you did not make inquiries about that?

**Mr Morton**—No, we did not.

**Senator SCHACHT**—That is a pity. I suspect it was.

**Senator LUNDY**—Are you in a position to make any inquiries about the source of the granite now with respect to where it was sourced and whether or not child labour was used?

**Mr Morton**—We could ask the supplier, certainly. I will take that on notice and see if there is any further information I can provide.

**Senator LUNDY**—I would like to think that would have affected your decision not to use that supplier. Perhaps the minister or you can offer up a policy with respect to sourcing materials, whether from Australia or not, that use child labour, and whether that specifically excludes that potential supplier from your consideration.

**Mr Morton**—I do not have an answer for that.

**Senator LUNDY**—If you would take it on notice.

**Mr Morton**—Certainly, I will take it on notice.

**Senator LUNDY**—Whether in fact if you found that to be the case, that would exclude that supplier from your consideration. I would like to think so, given our various commitments in the international sphere in that regard.

**Mr Morton**—I certainly do not think we would be breaching any international obligations in terms of sourcing our products, if that is what you are asking.

**Senator LUNDY**—Just a final brief series of questions about the employment of staff, both at the executive level and general level in the museum. Can you just give me an overview, Ms Casey, about who has been employed and their status or classification in anticipation of the opening of the museum?

**Ms Casey**—We have just employed approximately 65 front-of-house staff—that is in terms of host. They are non-ongoing at this stage because we are not sure of the numbers we will need in the end, depending on how people can find their way around the building and what

needs to be operated. For instance, at the introduction we have a rotating theatre that was not in our original estimates, but obviously we do need staff to ensure that people get on and off that in a safe manner. So we have 65 non-ongoing staff in the front of house, which we will review at the end of six months and then again at the end of 12 months, and that will also depend on our budget and depend on the numbers of volunteers.

We have a couple of other additional staff assisting with marketing and sponsorship that I think are non-ongoing. But, generally, our overall staffing number is 196 at the moment—92 ongoing and 104 non-ongoing.

**Senator LUNDY**—When you say ‘non-ongoing’—

**Ms Casey**—It means they are not permanent.

**Senator LUNDY**—Why do you have such a large proportion of non-permanent staff?

**Ms Casey**—Because of the front of the house, which is 65 host. That is a large number that we need to review at the end of—

**Senator LUNDY**—Why should they necessarily be non-ongoing, just because they are front of house? Is that because you have a policy on rotating staff at front of house?

**Ms Casey**—It is the host on the floor, because in a lot of institutions you also use volunteers. So we are looking at building up our volunteers, and also we need to find out whether or not we need that number on after 12 months of operation. That is not an area where I would suggest that we would build up our permanent staff. We would need more in our research and development area, possibly our conservation area and our curatorial team.

**Senator LUNDY**—What is happening in those areas in terms of staffing levels? Have you put more staff on, for example, in the curatorial area or the research area?

**Ms Casey**—The research area is a completely new area that I have established, and there are three staff there currently. In the curatorial area, we built up almost double the size two years ago, but that is because of development of exhibitions. Now that has dropped back to a core of—I am not sure how many—about 14. We could get those figures for you.

**Senator LUNDY**—What about at senior management level and administrative levels in the museum?

**Ms Casey**—We have not built up additional staff at the senior management level. In the administrative level, not to a great deal. In our facilities area, we have increased, because obviously we now have a fully functional operational museum where we require additional facilities.

**Senator LUNDY**—How many executive level staff have been increased?

**Ms Casey**—I have five SES staff including me—four general managers. I have created a whole division now headed by a senior executive that looks after family, children and school visitors, which I see as a really important element. Certainly, I do not know of anywhere else that they do that.

**Senator LUNDY**—So that is separate from curatorial and other pre-existing staffing structures?

**Ms Casey**—Yes, and currently, for instance, we have in excess of 200 schools from around Australia booked in for our programs. I think it is important to look at the family, school and children’s area.



**Senator LUNDY**—That programming will be managed separately from the normal programming through the main part of the museum. How does it work?

**Ms Casey**—The whole museum is integrated, but there is a division dedicated to children. It also has in that division copyright clearances, text development and publication. There is a range of divisions that will have support programs that look after other divisions. Then we have a division called content development. That develops exhibitions and also is responsible for the multimedia area.

**Senator LUNDY**—I am just trying to get my head around the staffing structure. Perhaps you could take it on notice to provide—

**Ms Casey**—I could provide you a staffing structure—the organisational chart.

**Senator LUNDY**—How many executive positions were created in that new schools area you just described?

**Ms Casey**—It is headed up by only one senior executive, and the rest of the classifications are EL2s. I think there are about four in that area.

**Senator LUNDY**—Could you just take on notice to provide me with the staffing arrangements, the classifications, which are permanent, which are not and the projected time frames for letting those non-permanent staff go and what you anticipate there.

**Ms Casey**—Yes.

**Senator LUNDY**—That would be terrific. The opening is on the 11th. How many days are there to go? I keep driving past that sign in the middle of town.

**Ms Casey**—I think it is about 17.

**Senator LUNDY**—I was recently involved in making comment on the tragedy at the Big Day Out concert. I raise that because my question goes to the organisation of the concert you are planning to have on the evening and what safety precautions and provision of water to participants on the open day—particularly that night-time concert—you have planned for in anticipation of what I am sure will be a very big crowd, especially when you have such great bands as Killing Heidi there.

**Ms Casey**—We have not received our final approval as to whether or not that will go ahead. People do need to know that all of those at risk are taken into account. What we are advertising, which is important, is that we are having a whole day series of events so that we cater for the families as well as the teenagers. We will have in place all the requirements from state emergency services, bringing people to the site on buses, taking them off the site to various locations around Australia, water facilities, ambulances.

**Senator LUNDY**—I appreciate that. I guess my concern is—and this is what was highlighted in looking into the other concert—that what is actually needed by people, particularly young people, if it is a hot day, is not covered in any regulation or formal requirement. In fact, there are gaps in what should be provided, particularly in the area of water and medical treatment, and crowd management and crowd safety strategies at the front of concerts. We know that that is not covered in any specific regulations. There is no book. There is no question you can ask anyone about what the rules are. We know now by experience that a lot more can be done to improve safety that would have to come from your own initiative. I guess I am flagging that as an area of concern and hoping that the museum has a plan in place to look beyond what you are required to provide by law and look at some of the most recent and, I suppose, smart ways to best protect public safety.

**Ms Casey**—Absolutely. I think everyone is very conscious about what happened at the Big Day Out. All those people involved in planning are looking at much more than what is required. The other issue is—

**Senator LUNDY**—That is the main point I wanted to make.

**Ms Casey**—our production managers are people who were involved in the opening and closing ceremonies for the Olympics. So we have brought on experts.

**Senator LUNDY**—How many people do you expect will be coming along on the 11th?

**Ms Casey**—I have no idea. I am hoping there will be a very large crowd. To cater for those large crowds we have performances located around the peninsula so that everyone is not disappointed because of long queues trying to get into the museum. I suspect maybe up around 20,000, depending on what time of day it is.

**Senator LUNDY**—I hope you have got your parking plan sorted out by then. I wanted to wish you the best of luck in this forum for the opening. It is going to be very exciting.

**Ms Casey**—Thank you very much.

**Senator LUNDY**—Congratulations to all your staff on their efforts leading up to this event.

**Ms Casey**—They have done a great job.

**CHAIR**—I thank the National Museum, and I call the National Gallery.

[11.41 a.m.]

#### **National Gallery of Australia**

**Senator SCHACHT**—Just while the representatives are coming to the table, I suspect this is the last estimates that Mr Stevens will appear as the secretary of the department.

**CHAIR**—That is the case, yes.

**Senator SCHACHT**—I just want to put on record, Mr Stevens, that you were head of the department when I was a minister and I appreciated the great support and professionalism at that time. I also want to place on record here that I do not think that, as secretary of the communications department, you have missed an estimates hearing over the last 5½ years.

**Mr Stevens**—Seven years.

**Senator SCHACHT**—I congratulate you on showing that commitment to the estimates process. Finally, I want to look forward to seeing how many operas, art galleries, ballets and symphonies you will be attending in the spare time that you will have in the future. I hope you will enjoy it all. Well done and best of luck.

**Mr Stevens**—Thank you very much. I appreciate that.

**Senator SCHACHT**—First of all, Dr Kennedy, thank you for the answers you gave to the questions I put on notice, which went for many pages at the last meeting. I have to say that I expected some of the answers and that in relation to some of the answers, if I went through them one by one, we would be here for hours, which I do not want to be. There are some answers that do lead to further questions being asked. I will put some of those further on notice but will ask some here in particular.

The first question I wanted to ask out of the answers you gave was about questions on notice 163 and 164, which had an attachment which was the Stenson Varning report, an audit

report on the mechanical plant operation and maintenance. This was to do with the airconditioning. When was that report provided to the management of the gallery?

**Dr Kennedy**—I would like Mr Froud to answer questions about the airconditioning.

**Mr Froud**—As I recall, that was a report in May 1999, I believe.

**Senator SCHACHT**—That report was provided to the gallery in 1999. In estimates in 2000, when the questions were asked by me and Senator Lundy about the operation and about our concerns, Dr Kennedy said:

What we are really talking about here, if I could just state it, is an allegation by an anonymous informant, which has been fully investigated by the competent independent authority, which has shown that our airconditioning system is safe and does not represent a risk to health and safety.

However, when I go to the report that you have provided to us as an attachment to questions 163 and 164, there is the precis at the beginning and then five brief dot points. It says:

It seems likely that insufficient pressured air is supplied to public galleries.

Smoke exhaust and shaft pressurisation seems also likely to be not code compliant.

Service tunnel exhausts are inadequate.

Water overspray on floors and walls is causing dangerous working conditions and rotting the building fabric.

Recommissioning steam plants will eliminate this problem.

Air borne gases can be eliminated by installing carbon filters.

That was available to the gallery's management when we were asking questions in May of last year. It had been available to the management for many months. I have to say the answer given by you, Dr Kennedy, does not in any way recognise the issues raised in that report, which the gallery had available for several months. Had you forgotten that this report was available?

**Dr Kennedy**—No. I think the distinction is between the needs of the revamping and refurbishment of the airconditioning system, which has been known about since 1995—in fact, when the first report was produced—and specific allegations which had been made about the air and water quality in the gallery. I think there is a distinction between the two issues.

**Senator SCHACHT**—I do not think you are correct. We will obviously have to agree to disagree. The first dot point says, 'It seems likely that insufficient fresh air is supplied to public galleries.' They were the allegations raised by Senator Lundy and me last year. This is in a report that you have had since May 1999. I do not think your response last year was adequate in view of the fact that you have an official report you had commissioned yourself. I will leave it at that. I just have to say that the response last year was not adequate. It is disappointing to the estimates that either you did not know about it, you forgot it or your other advisers did not know you had this report available. If you had said that to us at the time, we would not have wasted hours of the estimates trying to get to the bottom of the allegations.

I cannot see much point in belabouring it, Mr Chairman, but I think this is a matter about which the estimates committee in its report that goes to the parliament should note clearly that we were not given an adequate response last year. I hope that the management and the board of the National Gallery takes note of this matter in particular.

There is another matter in the numerous answers given which I particularly do not accept. I asked a series of questions about the separation and the pay-out of Ms Douglas, I think, when

she left the gallery. All the answers on these are the standard format of what I call the Sir Humphrey line: 'We can't give you details because it's commercial-in-confidence and legal-in-confidence.' You went on for, I think, six or seven questions to get exactly the same answer. Again, I have to say, Dr Kennedy, that is not satisfactory.

Did you contact Ms Douglas and ask whether she had any objection to having the information that we requested in the questions being provided to the estimates committee?

**Mr Froud**—In fact, the terms of the separation, there was, in fact, an action taken by Ms Douglas against the gallery. That action was settled out of court and one of the terms of the settlement specifically at Ms Douglas's insistence was that these matters were not to be discussed.

**Senator SCHACHT**—Did you go to Ms Douglas, since it was raised in the public forum of the Senate estimates, to ask whether she would consider reviewing her request that it be kept confidential?

**Mr Froud**—No, we have not.

**Senator SCHACHT**—I would ask you to go and do that and ask whether she has any objection to the information being provided to the estimates committee. If she does want to provide it to the committee, she cannot provide it in confidence to the estimates committee but she can provide it to the legislation committee of the same committee in confidence and be treated in confidence. The reason I am rather angry with this response is that it is exactly the same as what Telstra tried to tell this committee about the CoT cases, which went on for several years, refusing to divulge the fact that they spent over \$20 million on legal costs beating down ordinary citizens who had reasonable claims against Telstra. It took a separate hearing of the legislative committee to get to the bottom of it and in the end Telstra agreed and settlement was reached that was satisfactory to those complainants. When we asked them whether they had any interest in having their information made public, they were delighted. So I ask you to take that on notice and come back to us as soon as possible.

Dr Kennedy, you very kindly invited me to visit the gallery two or three weeks ago to see the Federation Exhibition and I appreciate that. I had a very good discussion on a number of issues and you explained where the gallery was going and the vision of you and the council for the future. I appreciate the courtesy and the time you gave, which was at least two hours. I appreciate the fact that you subsequently sent me an extraordinary selection of volumes of the publications of the gallery, which I appreciate. I have not yet had a chance to peruse them all. Nevertheless, after the discussion there are now some issues that I do wish to raise.

Since we had that discussion, the former curator of the Australian collection, Mr McDonald, has gone public with a major speech which I have to say, if it is not impolite, is a stinging criticism of the management of the art gallery at present. Again, if I went through the speech I could be here for three hours, I think. I know my colleagues would riot if I took all of that time to go through this speech in detail point by point of the criticism he raises. I do not want to do that, but I do want to raise a couple of particular points. What I do want you to do is take them on notice, and I ask you and the board to respond to the specific criticisms of management that are raised in this speech by a former employee, the curator, whom you yourself appointed just over 12 months ago and who resigned at the end of last year.

I also note from the press today that the council is meeting and there is speculation that, as a result of this criticism, Mr McDonald may have his present contract, which is to oversee the federation collection, terminated. I would ask the council to take it on notice. You cannot answer on behalf of the council, but if they are meeting today what response do they have

about his continued employment as the curator for the specific job of the federation collection?

There are a couple of things, in view of the fact that I raised them, that I think you should have an opportunity to use this venue to respond to if you chose to, or you may wish to respond under notice. After he was appointed Mr McDonald said—and I will try not to be too selective in these quotes but this is, I think, a reasonable one:

In a very little time I came to believe that many of the director's ideas could not be put into practice, or indeed, would be detrimental to the institution. Neither could one ignore the pervasive atmosphere of dissatisfaction, job insecurity, and low morale that existed in the building.

Do you have any response at the moment to that criticism?

**Dr Kennedy**—I would be very happy to respond to the individual criticisms of the article as you have requested and to invite the board to consider responding to the question raised about John McDonald's continuation as a contracted employee to the gallery.

The criticisms that John has made are a deep disappointment to his former colleagues at the gallery. Many members of staff have explained to me why they are so disappointed. It is because it is not a criticism just of me. I am one of 286 staff and I am very, very proud of the professionalism of the gallery staff. We have gone through a process which indeed was difficult in the manner you have alluded to and which was completed in the middle of last year, bar having to attract another Head of Australian Art after Mr McDonald's departure, which was difficult. What it was about was building a team which could go forward with a new vision for the gallery which had a number of parts to it—not just exhibitions and catalogues, not just providing major shows, but also building the collection with premium works of art, travelling around the country extensively, fixing the building, which has been in difficulty for some time and which has had problems right back to its foundation and opening in 1982, and problems of needing to attract more public funding and more private funding. All of this has not just been me; it has been a huge effort by staff over the last couple of years. Therefore, while I am saying I have total confidence in the staff of the gallery—and they are very proud of their professionalism—many of the remarks made by John are a direct criticism of that professionalism. John had opportunity while he was a member of staff to make these criticisms and it is most unfortunate that some considerable time after he has left the gallery he should make them in a public forum.

**Senator SCHACHT**—I have to say, Mr Kennedy, after reading the speech the one criticism I do not think Mr McDonald does make is to criticise the general staff. In fact, he goes to great pains in the speech to congratulate and commend the staff on their loyalty to the gallery and to the collection. His criticism is that directly your management style has caused considerable turmoil amongst the staff, some who left and some who remain. I do not want to read all the quotes—we would be here too long—but it is clear to me that he does not criticise the staff, he criticises the structure of the management style that you have put into place. For example, I will give you two quotes from his speech. The speech states:

This is an issue in terms of the NGA's vaunted 'leadership' ambitions, and in respect to the job satisfaction of curators who see themselves essentially as art historians. Under current arrangements, too many curators are working as clerks and office drones with little chance to develop the projects that are dear to their hearts and their sense of self.

In another one he mentions the introduction of a flatter management structure:

When I began at the gallery there was much talk of a 'flatter' structure, in which the Heads and managers of various departments met at regular intervals, and then went back to communicate the

content of these meetings to their own staff. Very soon, I began to dread these program managers meetings, which took up an unconscionable amount of time—including one all day session which lasted until 7.30 pm and saw three program managers stay home the following day.

He gives more detail about those. I think that his criticism is actually a cry on behalf of the staff, not directed at the staff.

**Dr Kennedy**—You are obviously in the privileged position of having the speech that was not published in the paper. I have not seen the speech and those remarks are not in the newspaper, but I believe we will see them in the edition of *Quadrant*.

**Senator SCHACHT**—We do have a copy of *Quadrant*. I think if you rang *Quadrant* now you would get it.

**Dr Kennedy**—I am sure that it would be available in due course.

**Senator SCHACHT**—I am sure if you rang *Quadrant* yesterday or last week when it was made you would have got the copy immediately.

**Senator Alston**—I am surprised you are a subscriber.

**Senator SCHACHT**—I am not a subscriber to *Quadrant* but I am sure that, like any other person with half a wit, you could ring them up like my sources did and get hold of a copy.

**Senator Alston**—You let your subscription lapse, did you?

**Senator SCHACHT**—Pardon? You would obviously read *Quadrant* more than I would. I thought it might have in the past been more ideologically in your view of the world, Senator. Anyway, I read those quotes.

**Dr Kennedy**—Yes, I would like to respond to them. I am personally deeply disappointed, having taken the risk of employing somebody that the curatorial profession deeply criticised as Head of Australian Art because they did not have museum experience and had not been a museum professional at any stage, that we would actually end up with a whole series of criticisms of the museum profession. They are not just of me, Senator, and I draw your attention to a number of remarks in the speech which give an example of the type of anger and disappointment that is there among former colleagues of John McDonald.

For example, to say that regional galleries do not know how to count people on the way in the door is really a slight on regional galleries. How do you think any of those curators would feel about the description that ‘curators have been involved in hastily assembled promotional brochures and smaller publications attached to hastily assembled shows’? How do you think they would feel about the remark that ‘time and effort are wasted on ephemeral publications’? I do not think so! The people who wrote them did not regard them as ephemeral. And then ‘The past few years have seen many exhibitions arranged as stop gaps.’ By whom? By the curatorial staff of the gallery? They do not regard them as stop gaps.

As regards the remark that under current management arrangements too many curators are working as clerks and office drones, this was precisely the criticism when John remarked publicly in the middle of last year that his difficulty with the job of curatorship was that it involved too much hack work. All around the country people are upset about that, because the work of a curator does indeed involve attending one meeting every couple of weeks or, in the case of the Head of Australian Art, one meeting once a week—there was one policy meeting; that is rather important—and the whole rest of the working week is for curatorial endeavours and other things that are beholden to a public institution. When somebody comes and brings a

work of art, they want to evaluate it. When a politician wants to have a look around or when a diplomat arrives—

**Senator SCHACHT**—Sorry, you invited me to have a look around. I did not volunteer to go. Let us be quite clear about that. You invited me kindly.

**Dr Kennedy**—And I was so pleased to be able to send you the publications, having very keenly witnessed your personal enthusiasm for the art, and I think that was really great. The morning that we spent was about art, Senator. I think a lot of this criticism is about management practice and so on. If a lot more concentration was made on the art, we would not have had the type of difficulty that we had last year with the Federation Exhibition. So there are many, many things in this article, from the sensitivity of the curatorial staff in the gallery—not just in the gallery but also around the country—that really go to the heart of the criticisms that were made in the middle of last year when John was appointed. I am disappointed. I really do not want to comment any more about it. We will be very happy to respond to you.

**Senator SCHACHT**—Thank you. As I say again, I think when the curatorial staff read the full speech they might put a slightly different emphasis on it than the one you have indicated, but that is a matter of judgment. I have one other question specifically out of the speech on a matter which has had press publicity. He says:

... I was astonished to read, in an interview in the *Irish Times*, that Dr Kennedy is saying that gallery attendance has increased by 75 per cent in the past year. To see how this figure is arrived at, one must look to page four of the Annual Report for 1999-2000. A series of columns is divided into black and grey, representing visitors to the NGA, and to NGA travelling exhibitions respectively. The combined total is counted as 'attendance'. So if we look only at the black columns, we find the attendance at the gallery is listed as 574,415, which is up from 366,773 the year before, but still creeping back towards the 650,978 visitors of 1995-96, in the Betty Churcher era. In 1999-2000 the 574,415 visitors to the gallery have been joined by 709,452 visitors to travelling exhibitions, while the 1995-96 figures were swelled by only 134,720 visitors in the grey column. According to the Director's report on the same page, the figure of 709,452 includes 491,078 visitors to Aboriginal art exhibitions abroad, including the display of the 200 burial poles of the Aboriginal Memorial, shown at the Hermitage museum in St. Petersburg. Every visitor to the Hermitage during that exhibition has now been counted as a visitor to the NGA, at least in the eyes of the *Irish Times*.

It will take too much time to read it all out, but he then says:

To me, these seemed like seriously rubbery figures.

**Dr Kennedy**—The figures are correct. The figures reported in the *Irish Times* reflect, I think, an inversion of numbers. It was argued correctly that the gallery permanent visitation and visitation to exhibitions in Canberra had increased by 57 per cent. That is true. It is also true that the entire number is a 75 per cent increase when taking in the exhibitions abroad. It is also true that the numbers were slightly up— up by 75,000 in 1995-96—in Canberra, compared with those figures last year. But it is also true that that very remarkably reflects a serious shift in our efforts to get works of art around the country in travelling exhibitions, where we have doubled the loan program. By sending 1,500 individual works at request to galleries all over the country we have served the public much better around the country.

The figures are correct. Whether one wishes to disparage them by calling them rubbery is a matter of the mathematics of the individual making the allegations to prove that they are incorrect. They are actually correct figures. I think it is very easy to say something like this. It is also easy to disparage me as having said something in the *Irish Times* which I did not say. They did the numbers themselves and they found that they were up by 75 per cent. I think this

is disappointing. It is precisely the type of thing which, really, is sad. I cannot explain it and I think the whole staff are disappointed. Certainly I am.

**Senator SCHACHT**—I have just one other question on this matter and the debate about whether the figures are rubbery. People will read all of this in the annual report and make their own judgment. Do other reputable galleries around the world like the National Gallery of Australia include in their attendance figures their travelling exhibitions?

**Dr Kennedy**—They do, but they distinguish them, just as we do, between a black and a grey column, as John said. We always distinguish them so that it is clear. I think it has often been noted that the National Gallery of Australia is only joined internationally by the national gallery in Canada because of the make-up of the countries, in such a serious effort from their foundation and the relatively new galleries in trying to make sure that exhibitions and works of art travel all over the country. It would be a travesty to all the efforts that a very significant number of the staff make at the gallery to ignore those figures, but it is appropriate to separate them, and that is what we do.

**Senator SCHACHT**—I will not go any further on those issues. I think Mr McDonald has made his point. You have made yours. There will be a public debate about the interpretation.

**Dr Kennedy**—If I may make one remark, I draw your attention to the very first paragraph that I put in that annual report. I think it is a very important one, because I felt that in a performance reporting regime culture, as occurs in many countries at the present time, it is vital for art professionals like myself to make the point that the success of the gallery is not just measured on the quantitative measures, and here we are talking about quantities, numbers, volumes, et cetera. It is actually measured on all the other aspects of visitor experience and visitor satisfaction, the range of exhibitions and the quality of that visit. That is what we are working on, with a very significant and important team of curators who are now on board in the gallery.

**Senator SCHACHT**—Now that you have raised that, in his speech Mr McDonald criticises the fact that you as director do not give appropriate recognition to the range of curatorial staff who do the work of putting various exhibitions together. He claims that he was not given due recognition in the catalogue for the Federation Exhibition. I do not have the Federation catalogue in front of me. I do not know whether he is actually given appropriate recognition, but he makes a general comment—not just about him personally on that one. He thinks on a lot of others you do not give due recognition to the work in the publications to the curatorial staff by naming them.

**Dr Kennedy**—In the publication *Federation*— again, this must be in the speech rather than in the article in the paper—John McDonald is credited on the front page as the curator of the exhibition. It varies from time to time—it depends on the type of exhibition—but it is fully credited there. In the speech I have, which appeared in the paper, he refers to the fact that our new acquisitions book did not credit the curators. This is really a cheap shot. Even from the six months he spent working full time on all the issues in the gallery and the other nine months he spent working on the Federation Exhibition, John knows full well that there has been a gallery policy, from before my time, that the introduction to the galleries was a blue book. It actually did not have any credits at all. I raised it at the time and it was said that this was house policy. If there is a sensitivity to it we will add, as we have done indeed with the Federation Exhibition, right throughout the whole catalogue the initials of the staff. We have published a whole range of publications attributed to each of the curators who published them in the last number of years for a whole range of smaller exhibitions. I am interested in



promoting the professionalism of our staff and not getting involved in what is a very mean-spirited, petty art fight. That is not where I am sitting.

**Senator SCHACHT**—I have given you a chance to respond to that again. We know that the art world is all about having debate and argument. You have certainly created that atmosphere, Dr Kennedy. I think you have agreed to take on board the speech and you will respond and you will refer it to the board of the gallery as well. As I say, I think we could go paragraph by paragraph through the speech today to give you a chance to respond, but we do not have the time.

I turn to some other questions. I do not like to raise questions of a personal nature, but I think this is probably unavoidable. Before Mr McDonald was employed by you, he wrote in a magazine or a paper I have not seen called the *Art Newspaper* in February 1998 that you, Dr Kennedy, discovered and authenticated a Caravaggio painting, *The Taking of Christ*, and he published that. Subsequently it has been pointed out that a Mr Bill Maxwell, press officer of the National Gallery of Dublin, put out a brief statement. It states:

Apropos of the article on Dr Brian Kennedy ‘Celtic can-do in Canberra’ by John McDonald (The Art Newspaper, No 78, February 1998, p.13), the National Gallery of Ireland wishes to point out that the credit for the discovery and authentication of Caravaggio’s ‘The taking of Christ’ belongs to Sergio Benedetti, Senior Curator at the Gallery. It was Mr Benedetti who spotted the painting in a Jesuit home in Dublin, and over a period of three years conducted extensive research in Ireland, Scotland and Rome. Only then was the process of authentication completed, and it is to his credit that this work, long believed to be lost, is now one of the finest paintings in the National Gallery of Ireland collection.

Do you have any comment about the Gallery of Ireland’s response? Or did Mr McDonald get it wrong when he published his comments back in February 1998?

**Dr Kennedy**—Mr McDonald, as I said, wrote that and he did get that wrong in the way that he expressed it. I did tell him at the time and asked him not to do that again, because that is not what I had said and that was not correct. What is correct is the long story which has been featured at length in the *New York Times* magazine and in the *Readers Digest*. I had a very significant role in that. But I have always said to my friend and former colleague Sergio Benedetti—a Florentine, not an Italian—that he discovered the Caravaggio. He is very particular about things, and he is right.

**Senator SCHACHT**—That is like going into the difference between the Borgias and the Medicis over who was the worst murderer. Nevertheless, it is not a fine point that I would die in a ditch over.

**Dr Kennedy**—This is an important point. At the opening I was invited to launch Peter Robb’s book on Caravaggio. In front of a very large audience I explained the circumstances. The art world is indeed a funny place. People say lots of things and, if they check their facts, they would find out that a lot of them are wrong. In this particular case it was wrong. I said it was wrong. It is a long time ago. It is a few years ago now. But I did have a role and no doubt I will write about it one day.

**Senator SCHACHT**—The only thing I find interesting is that Mr McDonald wrote this. Did you ask him, in a subsequent article, to correct his error?

**Dr Kennedy**—I told him about it, that he had made an error. I in fact was in communication with the National Gallery of Ireland on the issue and then a letter came from the National Gallery of Ireland about the matter. I knew Sergio would be very sensitive about that. It was a pretty big discovery. I was with him at the time and there were particular personal circumstances which caused me to know about the picture being there. My particular

role, not to go into detail on it, was actually to make sure that the painting came to the National Gallery of Ireland free of charge, which it did.

**Senator SCHACHT**—Despite Mr McDonald apparently getting this wrong in the article, you did not see that that was a detriment to his being appointed by you as the Australian curator?

**Dr Kennedy**—I have been through this all in the press. John McDonald is—

**Senator SCHACHT**—You have not been through it for the Senate estimates.

**Dr Kennedy**—Yes, indeed, and I am very happy to. John McDonald is a very talented man. He is a terrific writer and he is a person who is passionate about art. It was my belief and the belief of the Council of the National Gallery of Australia when we appointed him that it was worth taking the risk of offering him probably the best position available in Australian art in this country. Unfortunately, it did not work for John. John came to me to say that he wished to resign for a number of reasons and he found the job very difficult and not something that he wanted to continue. It did not work and that is what happened.

**Senator SCHACHT**—Okay. I will leave it there. You have responded to that question. In relation to the five-year planned program of gallery exhibitions, you explained privately to me that because of the rebuilding and renovation program there will be some restriction on the ability of the gallery to exhibit. But despite that period, can you outline on the record—take it on notice if you want to—what the plan is for the gallery's exhibitions that you have in the top drawer, not the bottom drawer, for the next five years?

**Dr Kennedy**—The gallery has obviously got a forward program. To say that we have not is a nonsense and again an attack—

**Senator SCHACHT**—No, I did not say that. I was giving you the chance—

**Dr Kennedy**—Indeed, but John did. He said there was an air of uncertainty about our forward program. It was an attack on the professionalism of the staff who actually manage that program. We have a forward program, an extensive series of major exhibitions from October 2002, the 20th anniversary of the opening of the gallery to the public, and what we hope will be the end of a refurbishment period for the gallery. We have an extensive range of smaller exhibitions. They are programmed at this stage out until early 2004. It is in the nature of galleries that they will have certain exhibitions like, for example, Oceania, which has been an ambition of the gallery for some time and for which curators are active at the present time devising the appropriate way to handle that exhibition at the end of 2003 to 2004. It is also true that galleries in announcing such major shows have a range of programs that they like to announce annually to create excitement and also to leave available the possibility that opportunities may arise from time to time where you would wish to show other exhibitions. So our program is full. It is well available within the gallery curators. Obviously, there is a publicity aspect to it that we would like to maintain for the gallery as we go forward.

**Senator SCHACHT**—I appreciate the fact that you do not want to spill the beans even at a lowly Senate estimates committee and that you want to make the biggest impact publicly when you announce that; and I understand that. But what you are assuring me is that there are plans well afoot and well developed; that there is a five-year program of exhibitions being put together; and that at an appropriate time they will be announced to show that the gallery is continuing its role not only within Australia but internationally as being at the forefront of art exhibitions?

**Dr Kennedy**—I am assuring you that it is well in hand, as you would expect it to be in a professionally run institution.

**Senator SCHACHT**—What about the ones you have already announced publicly and that are in hand? You have already announced them publicly, so you are not letting the Senate estimates scoop you. They have already been announced. What have been announced? Do you want to take that on notice?

**Dr Kennedy**—Yes, I would like to do that.

**Senator SCHACHT**—Pardon?

**Dr Kennedy**—I would like to take it on notice.

**Senator SCHACHT**—I asked you to provide for me a list—it was question 212—of scholars who had visited the collection study room during the period 1999-2000 and the works examined by each. You responded that during that year there were 1,643 visitors viewing 9,998 works of art. Can you explain to me how you arrived at the figure of 9,998 works of art? It is a pretty accurate figure?

**Dr Kennedy**—Yes, indeed.

**Senator SCHACHT**—Is it because you keep a tab on people when they say, ‘We want to see this painting, this piece of sculpture and so on?’ How is that arrived at?

**Dr Kennedy**—It is arrived at very specifically. We want to make sure that we end up with the same number we allow people to look at, as one might expect. We count the number of visitors and we count exactly the number—

**Senator SCHACHT**—In case it was not noticed that someone was walking out the front door with *Blue Poles* under their arm—I understand that.

**Dr Kennedy**—We really tried a number of years ago to get up from what was at that stage—looking again at numbers—three per cent of the collection having been available to the public in 1997-98 to 12 per cent last year. This was largely achieved by really upping the usage of the collection study room, which is available for pretty well 80 per cent of the collection which is in degradable material, like paper, textile and so on. An awful lot of that material is of very small size and is therefore best seen in the collection study room. We are very pleased that that area is so active. We have staff who look after it and who get all of the works out from the store. We have announced all our works on the web site and we have said that anybody who wishes to see any work in the gallery can apply to the gallery and we will make it available to them in the collection study room.

**Senator SCHACHT**—Is it true that many of the artworks that they would want to look at would be at the Hume art storage area several kilometres away?

**Dr Kennedy**—Yes, indeed, that would be true.

**Senator SCHACHT**—Do they have to go down there to see it or do you bring it up on their request?

**Dr Kennedy**—No, we do not bring anybody to the Hume art store. In fact, we do not declare where it is. But now that you have identified the suburb, I will not go any further.

**Senator SCHACHT**—They do not go there. So if they requested it, it has to be brought up?

**Dr Kennedy**—Yes. It is a highly secure score and we bring the material into the collection study room, which is beside the Asian art galleries within the National Gallery building in Parkes.

**Senator SCHACHT**—So all those 9,900 would include some that had been brought from storage?

**Dr Kennedy**—From time to time, yes. Our job is to serve the public. If they want to see the works that actually belong to them, we will make them available to them.

**Senator SCHACHT**—I asked a question about the use of hydrogen peroxide and which other galleries around the world are using it. You didn't really give an answer about this—where else it is being used as a cleaning agent. I would appreciate getting a bit more specific. Do other galleries of equivalent merit and standing as the NGA use hydrogen peroxide as a cleaning agent in their airconditioning systems?

**Mr Froud**—We have written to colleague institutions, as we have indicated in our response. I think to date we have had a response from 11 institutions. I must say that all 11 do not use hydrogen peroxide, although I might say it was interesting that one or two, as I recall, said that that was an interesting suggestion, and in fact, preliminary inquiry of their conservation departments had led them to believe that it was worth further investigation; that it may in fact be a superior product to the one that they are currently using. But to date, with the 11 responses we have received, no other gallery has identified that they are currently using hydrogen peroxide.

**Senator SCHACHT**—Some of them said that it is an interesting use and they might—

**Mr Froud**—No, they have indicated that, understanding the properties that that particular agent provides, they see that that may well have an application for them.

**Senator SCHACHT**—Is Mr Gary Cox still the building manager?

**Mr Froud**—Correct.

**Senator SCHACHT**—He went on an inspection tour of art galleries. How long ago was that?

**Mr Froud**—We indicated the specifics, as I recall, in the response.

**Senator SCHACHT**—A couple of years ago, was it?

**Mr Froud**—Yes.

**Senator SCHACHT**—Did he report back when he returned?

**Mr Froud**—He did.

**Senator SCHACHT**—Did he make any mention of the use of hydrogen peroxide?

**Mr Froud**—No, because we were not using hydrogen peroxide, as I recall, at that time. I am not sure precisely what we were using at the time. It would be just a matter of record. I do not, unfortunately, have the 1999 report.

**Senator SCHACHT**—In answer to many of the questions that I asked, you suggested you were using chlorine.

**Mr Froud**—Correct. We used chlorine for a period, yes.

**Senator SCHACHT**—For a period, and then you stopped using that and now use hydrogen peroxide.

**Mr Froud**—Correct.

**Senator SCHACHT**—When Mr Cox went on his tour, did he discover any art galleries using chlorine as a cleaning agent in their airconditioning?

**Mr Froud**—I would have to take that on notice.

**Senator SCHACHT**—Did Mr Cox provide a written report on return?

**Mr Froud**—Yes, he did, which we mentioned in the response—that we did have a report. He gathered information from each of the museums visited. However, that information that was gathered was gathered on a confidential basis.

**Senator SCHACHT**—This old ‘confidential basis’. It is not ASIO we are dealing with here and atomic secrets, is it?

**Mr Froud**—No.

**Senator SCHACHT**—Which cleaning agent art galleries around the world use is not a matter of international security or something that will make a cold war break out, is it, surely?

**Mr Froud**—No. We have written to other agencies to ask—

**Senator SCHACHT**—I know, but in his report.

**Mr Froud**—In his report, I do not know that he necessarily—

**Senator SCHACHT**—What did he do on that trip? Did he switch airconditioners on and off in some gallery to find out whether they worked?

**Mr Froud**—No, I am sure he did not do that either. He was looking at their operating systems, not only airconditioning but just their general building operation systems.

**Senator SCHACHT**—I think the best thing, to save time, is: could you provide me with a copy of his report?

**Mr Froud**—Okay. You asked for that on the last occasion, and in the response we indicated that we would need to clear our ability to release the information—

**Senator SCHACHT**—Oh, come on, please.

**Mr Froud**—in case Mr Cox had misrepresented information that had been provided in confidence by officers at other agencies.

**Senator SCHACHT**—Mr Froud, it is a good try, but I really think that is a long longbow, to say that he could mislead. I hope you have not been putting any of his recommendations into effect without going back and checking. Are you writing to every art gallery he visited to say, ‘He has recommended we do this, but before we do it, we want to check whether he has got it right’? What was the point of sending him overseas? You should have just written off in the first place.

**Mr Froud**—The visit that he undertook was very beneficial, was very useful for the gallery, and we will endeavour to provide the report.

**Senator SCHACHT**—What? It was beneficial?

**Mr Froud**—Very much.

**Senator SCHACHT**—What was it beneficial about?

**Mr Froud**—It provided him with an opportunity to meet with operatives in other—

**Senator SCHACHT**—No, it was beneficial for him, having a tour to broaden his experience.

**Mr Froud**—And for the National Gallery.

**Senator SCHACHT**—What specifically did you do in the gallery as a result of his report that was beneficial for the gallery?

**Mr Froud**—There are a number of things that have been done following Mr Cox's visit and his comments and recommendations.

**Senator SCHACHT**—Have a go at listing one of them.

**Mr Froud**—We looked differently at the manner in which we would clean the building, for instance.

**Senator SCHACHT**—I would have thought, with all that the estimates has been through, we have discovered that for you without worrying about Mr Cox. Did Mr Cox recommend that you get the carpets out of the airconditioning ducts that had been stored there as an informal storage? Was that one of his recommendations?

**Mr Froud**—No, that would not be a recommendation in that report, no.

**Senator SCHACHT**—Because he did not find carpets in airconditioning ducts at the Louvre, I presume.

**Mr Froud**—Well, he did not comment upon them.

**Dr Kennedy**—When we had the opportunity to have the questions at the gallery, I had hoped that you might like to see those ducts. I thought that it might relieve you to see that it was actually a room, not a duct.

**Senator SCHACHT**—I saw the answers. You give me some reasonable answers in some areas and, of course, the report I quoted before that you are coming back on indicated that what we had previously raised was proven true in a number of cases about the ducts and airconditioners. I have to say that I am not an expert on airconditioning, and having me wandering through the ducts would have been a bit irrelevant, unless I had been accompanied by airconditioning experts.

**Senator TCHEN**—Which is why the gallery would prefer the advice prepared by Mr Cox.

**Senator SCHACHT**—Of course. What I am finding out is: can you please provide this committee with a copy of Mr Cox's report; secondly, indicate, of any of his recommendations, which ones you have put into place. I think that is quite a reasonable request.

**Senator Alston**—We will take it on notice.

**Senator SCHACHT**—In view of the time and because we have other matters, I will have to put a number of questions on notice. I look forward to the answers to the questions I have already put on notice, in particular, the response from the director and the council to Mr McDonald's report, and also any other matters from the council in considering his future. I conclude by saying that I think the Federation exhibition is outstanding and is a credit to the gallery and all concerned—obviously Mr McDonald and Dr Kennedy—and I hope it has great success around Australia. I will encourage all Australians to see it. I am sure that they will disagree with some parts of the exhibition. It is controversial, but I think it is a credit to Australia.

**Dr Kennedy**—Thank you, and we look forward to seeing you at *Monet in Japan* in mid March.

**CHAIR**—We thank the National Gallery for appearing. This committee is adjourned for lunch and will resume at 1.30.

**Proceedings suspended from 12.30 p.m. to 1.30 p.m.**  
**Australian Broadcasting Authority**

**CHAIR**—I welcome everyone to this hearing. We have before us the Australian Broadcasting Authority.

**Senator MARK BISHOP**—I just have a couple of minor issues to raise with the ABA. The first one is the impact of digital television on the existing analog system. You might recall that we had a lengthy discussion about this in November of last year and you gave us some assistance, Mr Tanner, and then there has been the introduction, particularly in Queensland, and a fair amount of press comment earlier this year on the success or otherwise of the changeover. Is the ABA aware of the number of complaints that have been received by broadcasters due to the interference caused by digital TV on existing analog systems?

**Mr Tanner**—Senator, Professor Flint sends his apologies. He was unavailable at this time. Yes, we have been in touch with FACTS, who have been running the call centre numbers throughout the process, and we have statistics. But before I give them I might just preface that by saying that while we know the numbers of calls that were received, both from the recorded service and that required to speak to a technician, we are not able exactly to disaggregate that in terms of how many of those callers actually had a problem that was caused by digital. That is a very important qualification to make, because very early this year there was a fair amount of tower work in both Melbourne and Sydney, principally national broadcasters but not entirely, which resulted in a lot of temporary outages of services. Those outages, coming as close as they did to 1 January, resulted in terrific increases in the number of calls coming through to the call centre.

The point I am making is that the figures I am going to give you are not a true reflection of the problems actually caused by digital. They include a very large number of people who had other concerns that they were not to know were not caused by digital. Having said that, the FACTS call centre has received 41,062 calls as at 14 February. 8,989 of those were received between 14 December and the end of December, and the January figures were 28,884. To go back to what I was just saying then about the other extraneous factors, which included tower work and also some seasonal atmospheric disturbances that caused interference, I would suggest that in very large measure those much larger figures for January reflect those other problems and viewers not being certain whether or not what they were experiencing was caused by digital, or perhaps believing they were experiencing digital interference, when in fact they were suffering temporary outages due to, for example, tower work or technical phenomena, such as coastal ducting.

**Senator MARK BISHOP**—Can we stop there. You just might explain to us what this tower work is, where it was done, when it commenced and when it concluded.

**Mr Tanner**—I could do better than that. I think in general I would make the point that both in connection with digitalisation and for other reasons it is sometimes necessary for technicians to work on the towers the transmitters are mounted on, and for occupational health and safety reasons the power going into transmitters may at certain times have to be cut or even cancelled. At the height of the work and I think the run on the hotline caused by particularly Sydney and Melbourne viewers who thought they were experiencing digital interference, the ABA released a comprehensive press release which was fairly widely picked up and which was intended to point out to viewers what the various causes of the problems

were and what the time scale of the work was. I would be happy to provide that to you, and also to update the information, if you will allow me to take that on notice. I say 'update' because at the time we promulgated the estimates we had obtained from broadcasters about how long the work would take. If you will allow me to take that on notice I will certainly furnish that information to you.

**Senator MARK BISHOP**—That is fine, you can take that on notice. But can you give us an indication as to when the tower work carried out by technicians that you suggest might have caused interference on or around the changeover date was concluded, or is it just ongoing in all areas?

**Mr Tanner**—The tower work really impacted, we believe, on the call centre figures around the period of 3 and 4 January. At that time there was roughly a quadrupling of calls coming into the FACTS recorded service. It leapt from slightly under a thousand a day, from memory, to on one day over 4,000 calls. That rapidly tailed off, starting a few days later, as information—including our press release—got out, explaining through various media outlets, and also I think over that time the broadcasters themselves were putting out information about the work. I did a couple of interviews. There were a fair few attempts, not just the ABA's, to make clear to people that some of the problems they were experiencing were not digital problems. They were actually problems where you should not adjust your set. You just wait till the work ceases. I am happy to give you a breakdown of the call centre statistics to illustrate that bump, and it might be something you could look at in tandem with the ABA's media release.

**Senator MARK BISHOP**—Yes, I will take you up on that offer, Mr Tanner. You said earlier that there were something like 8,900 calls to the call centre from the period mid-December to the end of December and then 28,000 during January. The changeover date was 1 January. The average appeared to be about 800 in December, the first two or three days of January, around about 1,000, spiked up for three or four days, and then came back down to give or take a few thousand for the rest of January.

**Mr Tanner**—Exactly, and to the extent we have been able to disaggregate the data, a lot of those calls in December were Queensland calls and they were related to the digital changes in Queensland. In particular, you might recall that of all the services starting up ready for 1 January it was the Queensland SBS service on Channel 36 that was the one anticipated to cause the most problems with ancillary devices, particularly VCRs, and that was borne out in those statistics. There was clearly a lot of calls coming from Queensland and quite small numbers coming from other states.

When the spike occurred in the first week of January, it was largely concentrated in Sydney and Melbourne. That gave away I think at once that it was being driven by non-digital factors, though there was also a spike in South Australia to a lesser extent, where there was also some tower work going on. Sydney, Melbourne and I recall South Australia as well were where most of the work was occurring. There is always work going on on transmission facilities.

There will be further work I am aware the nationals will be doing, I understand, starting in March, and you might want to ask Mr Knowles about that when he is here. But I guess the one-off problem that we all experienced was that as at 3 or 4 January a lot of people had been conditioned, for example by newspaper speculation, to believe that any problem they experienced was probably being caused by this newfangled digital development, so I think we had a one-off phenomenon where a number of factors that were extraneous to digital kicked in and caused a lot of people to use the hotline service.



Just to put it in perspective, too, the February statistics to date—that is to the 14th—are 3,189, so there has been a steady tailing off of calls to the call centre, as you would expect, since that spike has occurred, which I really believe was largely due to factors extraneous to digital.

**Senator MARK BISHOP**—Can you give us even a crude disaggregation of those figures that are related to the digital changeover and those figures that are related to other extraneous matters.

**Mr Tanner**—Yes. Just as I have been attempting here to disaggregate, I would be happy to expand on that in an answer on notice.

**Senator MARK BISHOP**—Are you unable to do it now?

**Mr Tanner**—I suppose the point I am trying to make is that, from memory, the number of calls per day coming in by the end of December and the start of January tended to be lower on weekends but then would pick up during weekdays, but on weekdays it was running at about a thousand per day to the recorded message, or slightly under, as of 2 and 3 January.

It then very rapidly picked up to over 4,000 by, I think, 4 January. Our belief would be that that pick-up is almost entirely due to non-digital factors, because nothing changed between 2 and 3 January. All digital services that were meant to be on by 1 January had already been on for some time and digital had actually caused a spike in December, not in January, and the spike was a lot smaller than the spike which occurred in January. I am inclined to believe that much or all of the difference between the 1,000 per day we were getting and the 4,000 plus per day we got at the height of early January was the result of those combined extraneous factors which were predominantly transmitter tower work causing temporary outages, particularly in Sydney and Melbourne and also to some extent in South Australia, and some seasonal interference problems that kicked in—in particular, coastal ducting, which is a phenomenon where sometimes in particular weather conditions in summer a radio frequency signal will suddenly carry a great deal further than it normally does and cause interference to a service on the same or an adjacent channel far away. That can cause temporary outages. All this is explained in our press release, which I will be sending to you.

**Senator MARK BISHOP**—Could you provide us with a copy of that, and could you develop the points you have been making today and provide that in a written response.

**Mr Tanner**—We would be happy to do that.

**Senator MARK BISHOP**—Have you yet done a final analysis of the implementation period and come to any conclusions about possible improvements in the future?

**Mr Tanner**—I would not say a final analysis. I think the way I would put it is that the government, including the ABA, and the industry, in all its sectors that are affected, have been negotiating a common, single, call centre approach to managing these digital problems. It is certainly the case that all participants have been learning as we go. The ABA is feeding those things that it is learning into the ongoing negotiations between government and industry, to which it is a party, as to how we should improve the response to digital problems, because of course we are going to keep rolling out digital from now on. There will be further use of channels, particularly those channels 36, 37 and 38. There will be other digital problems which may not cause such a big splash but will nevertheless need to be remedied as we go on. Certainly we have a lot of experiences under our belt. We have experienced some teething problems with the service and we are feeding that into the negotiations. The ABA's aim in this is that government and industry negotiate a single, common, satisfactory approach to

managing these problems. That is our goal throughout, and the way we are pursuing that is by participating actively and helping as far as we can in that negotiation process. So, yes, I would say we are working with the department inside those negotiations on what we are learning from this.

**Senator MARK BISHOP**—Just turning now briefly to antisiphoning: when was the ABA requested by the government to conduct the current antisiphoning review?

**Mr Tanner**—I understand the ministerial direction was received on 22 December last year.

**Senator MARK BISHOP**—When were you first contacted to discuss the possibility of such a review?

**Mr Tanner**—I would have to take that question on notice. I do not know when that contact occurred.

**Senator MARK BISHOP**—Do you know the answer to that, Mr Stevens?

**Mr Stevens**—No, I do not. We do not have anyone here who could give you that date. We would have to take that on notice.

**Senator MARK BISHOP**—Okay. When do you expect the review will be completed?

**Mr Tanner**—The ministerial direction seeks a conclusion by 30 June 2001. The ABA called for submissions last week and submissions close on 12 April. Those are the other key dates.

**Senator MARK BISHOP**—Is the ministerial direction a public document?

**Mr Tanner**—Yes.

**Senator MARK BISHOP**—It is on your web site?

**Mr Tanner**—I cannot confirm it is on our web site, but it is certainly a public document.

**Senator MARK BISHOP**—Could you provide me with a copy of that.

**Mr Tanner**—Certainly.

**Senator MARK BISHOP**—I have not seen that. I have seen the media release from Senator Alston and the press articles. I have some questions on notice concerning Bendigo Community TV which I will put on notice. That concludes my questions of the ABA.

**CHAIR**—Thank you, Mr Tanner, for appearing.

[1.49 p.m.]

#### **Australian Communications Authority**

**CHAIR**—We now call the ACA.

**Senator MARK BISHOP**—I just want to talk about CB radio and the spectrum options today. Dr Horton, perhaps you can tell us: is the ACA engaging in any conduct or reviews affecting the CB radio bands and, if so, what is that action?

**Dr Horton**—We have Mr Luther with us who can address this subject.

**Mr Luther**—I am not quite sure whether you would call it a review. As of December last year we have made some variations in the class licence which applies to citizens band radio, basically to allow some new selective calling techniques to be allowed under that class licence and to provide for the use of a couple of channels on the CB band for telemetry type purposes.

**Senator MARK BISHOP**—So you have allocated some new or additional bands. Are you doing any other reviews?

**Mr Luther**—Not new or additional bands. Within the existing CB band, we have allocated channels 22 and 23 to telemetry type systems—in other words, for wireless data. It might be for monitoring water levels in a dam or that sort of thing. We have not made any more spectrum available. What in fact we have done is to set aside a couple of channels for that purpose.

**Senator MARK BISHOP**—I understand. So you are not currently engaged in any other reviews affecting CB bands?

**Mr Luther**—Not that I am aware of—and I think I would be.

**Senator MARK BISHOP**—Have you received any complaints from members of the community on current allocation or use of CB bands?

**Mr Luther**—Before we changed the class licence in the way that I have just explained, we did actually undertake a public consultation process and we received about 220 representations as a result of that public consultation process. I am not sure whether you would call them complaints but there were certainly a number of views put by people, for instance associated with the Australian Association of Citizens Band Radio Operators, who expressed some degree of opposition to the changes we were proposing.

**Senator MARK BISHOP**—What were the grounds of their opposition?

**Mr Luther**—There were a couple of main grounds. One was that by what they saw as taking a couple of channels away from the existing suite of channels available to them to use for telemetry we were reducing the number of channels available to them. And also there was some feeling that we were making the citizens band more amenable to use by business rather than private users.

**Senator MARK BISHOP**—Did the ACA come to the view that there was substance to those complaints?

**Mr Luther**—We came to the view that, on balance, there were significant public benefits associated with making the changes. We understand the nature of their complaint but on balance we believe that the benefit to the public—

**Senator MARK BISHOP**—So you proceeded to implement, then?

**Mr Luther**—Yes, so we did proceed to implement.

**Senator MARK BISHOP**—Have you taken any action to consult with the CB radio community to inform them of your position subsequent to that review?

**Mr Luther**—As I said, during that review we consulted with them; not subsequently, I do not believe.

**Senator MARK BISHOP**—Turning now to the spectrum auctions, Dr Horton, can you advise us which of the 3G spectrum lots each of the seven bidders have registered for?

**Dr Horton**—They do not register for a particular lot but they do bid for an entitlement for the total number of lots they can aggregate.

**Senator MARK BISHOP**—The distinction escapes me.

**Dr Horton**—There are a number of lots on offer. They do not put a bid in for any particular one to begin with but they do register for an entitlement for a number of lots that they can bid for during the auction.

**Senator MARK BISHOP**—In that case, can you advise us which entitlements each of the seven bidders have nominated for?

**Mr Luther**—We have expressions of interest from each of the bidders for about 160 per cent of the amount of spectrum available. In other words, they have more than committed to an interest in the total amount of spectrum there.

**Senator MARK BISHOP**—Can you disaggregate that and break it up into the expressions of interest for each of the lots from each of the bidders?

**Mr Luther**—Certainly for each of the bidders. Perhaps I could give you a bit of background about this. The minister's bidding caps in this spectrum auction mean that no bidder is allowed to buy more than two by 15 megahertz—in other words, a paired band, 15 megahertz in each part of the pair—plus five megahertz of unpaired spectrum. We are selling a small amount of that. That is the maximum degree of eligibility that they are entitled to get. Of the seven registered bidders, four have put in for that maximum degree of eligibility, one has put in for a sum very near the maximum amount of eligibility, one for slightly less and one for only a small amount.

**Senator MARK BISHOP**—Can you now tell us the break-up of each of the bidders by corporate entity?

**Mr Luther**—Certainly—it is all available on our web site. The bidders that have put in for the maximum amount of their eligibility first are Optus Mobile Pty Ltd, Telstra 3G Spectrum Holdings Pty Ltd, Vodafone Pacific Ltd and 3G Investments (Australia) Pty Ltd, the latter being a company associated with Qualcomm in the United States. AAPT Spectrum (ACT) Pty Ltd has put in for almost the maximum. Hutchison Telecommunications Australia Ltd has put in the next highest amount. CKW Wireless Pty Ltd, which is a company associated with ArrayCom in the United States, has put in for a small amount.

**Senator MARK BISHOP**—Could the ACA give us a table setting out who is bidding for precisely what entitlement?

**Mr Luther**—Certainly.

**Senator MARK BISHOP**—Do you have any idea how competitive the system is likely to be when we go to the auction process?

**Mr Luther**—It is very difficult to make that judgment in advance of the auction beginning. Potentially it is quite competitive. If all those players come along and bid to their eligibility, we are likely to have a quite competitive auction. But, as I say, it is very difficult to know until the auction actually starts.

**Senator MARK BISHOP**—Last year's budget papers had a figure of \$2.6 billion in terms of expected revenue from the auction process. The midyear figures that came out late last year, from memory, did not depart from that figure. Do you have any reasons to suggest that the government will not achieve its purpose there?

**Mr Luther**—We have no reason to suggest that.

**Senator MARK BISHOP**—Mr Stevens, do you—

**Mr Stevens**—I have nothing to add. That will be taking place very soon. Frankly, we will have to wait and see.

**Dr Horton**—We will know the answer then.

**CHAIR**—Thank you.

[2.00 p.m.]

#### **Australian Broadcasting Corporation**

**CHAIR**—The committee welcomes the ABC witnesses. I understand, Mr Shier, you wish to make a short statement.

**Mr Shier**—I did wish to make a statement on a couple of issues.

**CHAIR**—Please proceed.

**Mr Shier**—Chairman and Senators, I would like to take the opportunity to raise a couple of issues that have been a subject of recent media interest and place a response on the record. There are two issues in particular I would like to address: the contents and status of an internal confidential document which was apparently leaked to the press in January, and the subsequent investigation. At the time of the initial publication of the figures from a document on 19 January, an ABC spokesman was reported as saying, ‘The figures are wrong.’ That remains the position. Despite renewed widespread media coverage of the contents of the document in recent days, the ABC has made no further comment. I have, of course, been conscious of the inference in some of the media reports that the information itself was inaccurate. Therefore, given the timing and circumstances, we consider it to be more appropriate that this explanation be made direct to the Senate through your committee.

I confirm that the document in question was a draft internal working paper prepared late last year which reported on the potential profile of senior executive establishment numbers in the corporation. It was not a report on the actual number of staff employed in our senior executive classifications. It included new and proposed positions which were part-time, unfilled, transfers from existing non-senior executive positions and positions that have since been identified as no longer required. The number of positions and the cost of those positions were based on the assumption that all the positions were filled. Many of those suggestions were only proposals at the time and they assumed midpoint salary ranges.

More importantly, the senior executive ranks in the ABC relate to an industrial classification. They cover a broad range of positions in the ABC but they are not the senior management of the ABC. It is also important to note that, despite the terminology, the ABC senior executive structure is not the equivalent of the senior executive service of the Australian Public Service, which senators may of course be more familiar with.

Of equal concern to us was that the leaked document also contained detailed personal information on all staff members in the senior executive classifications including, where appropriate, names, salary classification and the status of the individual within the corporation. The figures the ABC supplied to the Senate following the November budget supplementary estimates hearings, in answer to question 76 from Senator Bishop, were the correct figures. We have undertaken a full audit of all positions and the figures supplied by the ABC were actual senior executive staff numbers at the dates requested.

For the information of the Senate, these staff numbers were as follows: March 1999—245; July 1999—238; March 2000—245; and July 2000—252. The equivalent figure for February 2001 is 263. These are actual numbers of senior executive employee full-time equivalents

employed by the corporation. Hence between March 2000, when I joined, and early February this year, the number of senior executive positions increased by 18. However, included in those 18 positions were 12 positions which were already on the ABC payroll when I joined, and these positions are now earning a similar salary to the reclassified senior executive positions. There are five production resources managers, five commissioning editors, one policy manager and one recruitment manager. Thus you will see that the actual net number of senior executives has increased by six since I became managing director, not 55 as has been reported in some of the media.

As I have stated, the ABC classification of senior executives is not an indication of our senior management. It includes operational and specialist positions such as lawyers, some broadcasting editors, auditors, technical service managers and other staff not defined as senior managers. The ABC defines the corporate management team in terms of managerial responsibilities, with positions defined as those that have responsibility for human, physical and financial resources and that also have an impact on determining the strategic direction of the corporation through policy development, and assessing and determining strategic priorities and/or corporate goals and objectives. The number of such managers as of 5 February this year is 166, and it is worthy to note that this cannot be compared with any previous management structure as previously management in the corporation was not defined.

In regard to the current Australian Federal Police investigation into the circumstances of the leak of the document to the media, I would just like to make the following points. Firstly, the head of the ABC's internal auditing department is independent of ABC management. He is responsible to an audit subcommittee of the ABC board. This is defined in his audit charter, endorsed by the audit subcommittee in May 1996. As senators would be aware, among other things he audits management itself. He must therefore be able to act independent of management.

The matter in question first came to the attention of the head of the ABC group audit on 19 January this year when he read articles in the *Sydney Morning Herald* and the *Australian* which referred to a leaked ABC document. He was of the view that a serious leak of information may have occurred from the corporation and consulted with the ABC's national security manager. The head of ABC group audit has made several comments on why he felt that matter was serious. He has said that the communication of the information to the media was not authorised and that it was confidential to the ABC. He believed that it was leaked with the intention of causing damage to the ABC's reputation and was possibly an offence under the Crimes Act. As I mentioned earlier, the document was a draft document which contained personal information about ABC staff.

I would also point out that the ABC staff rules expressly forbid the disclosure without authority of information concerning ABC's business. This was re-emphasised to ABC staff only last year in a document from the ABC legal department on workplace values. The Australian Federal Police were not called into the ABC. The head of ABC group audit and the ABC national security manager of their own initiative consulted with the police and the police asked that the matter be referred to them. The police made the decision to investigate this matter and notified the head of ABC group audit of their decision.

In consulting with the Australian Federal Police, the head of ABC group audit and the ABC national security manager were following the ABC's policy on fraud, the ABC's internal fraud case management procedures and the fraud control policy of the Commonwealth. The head of ABC group audit was under an obligation to consult with the police as he had

concluded that the matter was serious and he would be in breach of those policies and those procedures if he had not. It was not a matter of discretion.

There have been a number of other instances in which the AFP have been consulted in connection with internal audit investigations. On all those occasions the head of ABC group audit consulted the Australian Federal Police prior to advising the board or its subcommittee. The head of ABC group audit and the national security manager advised the director of funding, finance and support services of the intention to conduct a preliminary review into the matter. Subsequently they informed him of their intention to consult with the Australian Federal Police, and finally they informed him of the police decision to investigate the matter. The director of finance, funding and support services notified me after the head of ABC group audit and the national security manager had taken their decision to consult with the AFP.

It is worth re-emphasising to this committee that the final decision on whether this matter was sufficiently serious to warrant police investigation rested with the Australian Federal Police. I thank you, Chairman.

**CHAIR**—Thank you, Mr Shier. Do any senators wish to question Mr Shier on that statement?

**Senator MARK BISHOP**—Thank you, Chair. I thank you, Mr Shier, for making that statement because you have answered in anticipation some of the questions that we had wanted to ask you. When did the internal investigation actually commence?

**Mr Shier**—I am not sure. I would have to refer to the director of funding on my left, but I think in my statement I made it clear that it occurred after the release to the press on, I think, 19 January. I don't know whether you have a direct—

**Mr Balding**—I have not got the actual date with me, Senator, but it was shortly after those articles were published in the media.

**Senator MARK BISHOP**—So the national security manager read the press articles and within 24 hours instituted the internal inquiry?

**Mr Balding**—I think it was a bit after 24 hours; it was two or three working days.

**Senator MARK BISHOP**—The national security manager himself conducted that inquiry?

**Mr Balding**—No, it was a joint review. The head of group audit and the national security manager jointly conducted that review.

**Senator MARK BISHOP**—Both men? Just those two persons?

**Mr Balding**—The head of group audit may have had someone else from his department assisting, but they led the review.

**Senator FAULKNER**—So which of these two ABC officers, Mr Balding, took the initiative here? Was it the security manager or the head of audit?

**Mr Balding**—As I understand it, it was the head of group audit's decision to conduct the review, but he invited the ABC national security manager to participate also in that review.

**Senator FAULKNER**—Can we get a time line in relation to that? You have indicated in answer to Senator Bishop's question that obviously it was after the 19th. But Senator Bishop's question, I think, as he asked it, went to the ABC's national security manager. If we can take it a step back to the head of group audit it might be useful for the benefit of the committee. You might just give us a quick time line as to what happens on the 19th as far as the head of group

audit is concerned. He takes the initiative, you have indicated to us. What initiative does he take and when?

**Mr Balding**—I have not got the precise timing between the publication of the article and when he decided to undertake the review. As I said, there were a number of working days. I have not got the precise—

**Senator SCHACHT**—Was that on the day the article appeared?

**Mr Balding**—No, it was definitely a number of days after the article appeared.

**Senator FAULKNER**—And the first decision that he takes is to conduct a review.

**Mr Balding**—To conduct an internal investigation.

**Senator FAULKNER**—Yes, in accordance with the fraud control procedures.

**Mr Balding**—In accordance with his charter, yes.

**Senator FAULKNER**—Yes, sorry, that is in accordance with his charter.

**Mr Balding**—As approved by the audit subcommittee of the board.

**Senator FAULKNER**—Who does he consult with? Does he consult with any others? Does his charter allow him to consult with any others before he takes such a decision?

**Mr Balding**—No, his charter allows him to conduct those reviews without consulting people. However, he did discuss with me that he intended to undertake that review.

**Senator FAULKNER**—So he discussed it with you.

**Mr Balding**—Yes.

**Senator FAULKNER**—Do you know if he discussed it with others?

**Mr Balding**—I am aware of me and the national security manager, prior to taking that decision.

**Senator FAULKNER**—Did you discuss it with any others, Mr Balding?

**Mr Balding**—Not at that time I do not believe.

**Senator FAULKNER**—Not at that time. Let us be clear of the timing we are talking about. This is within a number of working days of the 19th. I think they were your words. I just want to be clear.

**Mr Balding**—No, I do not believe so, Senator.

**Senator FAULKNER**—Can you tell us at what date this matter was drawn to your attention by the head of ABC group audit? That probably helps us with the timing of it.

**Mr Balding**—Senator, I would have to check my diary.

**Senator FAULKNER**—I thought it might have been something you would have done before you came here, to be honest. The article was published on Friday, 19 January. I think that is right, is it not, Mr Balding?

**Mr Balding**—Correct.

**Senator FAULKNER**—Are we talking three working days, a number of days? Three working days would make it about Wednesday, 24 January; something like that.

**Mr Balding**—Sorry, Senator, I have not got the precise date. It was a number of working days after that.



**Senator SCHACHT**—Can someone assist you at the moment with what that date was, from all the gathered ABC forces here today, while we have the hearing going?

**Mr Balding**—I doubt it.

**CHAIR**—It can be taken on notice, Senator.

**Senator FAULKNER**—We are just trying to get the chronology right. What Senator Bishop has been trying to establish here is the chronology. I appreciate Mr Balding is trying to help us, but ‘a number of working days’ is slightly vague, as you would appreciate. Anyway, it was drawn to your attention in a number of working days.

**Mr Balding**—Correct.

**Senator FAULKNER**—All I can say is that I recall that 19 January was a Friday; a number of working days would be, one assumes—

**Mr Balding**—The middle or the latter part of the following week.

**Senator FAULKNER**—The middle or the latter part of the next week.

**Senator SCHACHT**—The next week.

**Senator FAULKNER**—Yes.

**Mr Balding**—The next week after 19 January.

**Senator SCHACHT**—It would be recorded in your diary, would it, that you had the meeting?

**Mr Balding**—My diary would record that I met with Mr Hodgkinson and—

**Senator SCHACHT**—Is Mr Hodgkinson the head of group audit?

**Mr Balding**—Correct.

**Senator MARK BISHOP**—Just following that line, Mr Balding, we are up to around 24 or 25 January when it is brought to your attention. It has been reported in the press that Mr Hodgkinson, the head of ABC’s internal audit, called the Federal Police in to investigate the leaking on 6 February. Is that correct?

**Mr Balding**—I believe that 6 February was the time that he consulted with the Australian Federal Police. I need to stress, and the managing director did stress, that the ABC did not call in the Australian Federal Police. We were obligated to consult with them. We did not call them in.

**Senator MARK BISHOP**—Is that the first time that any officer of the ABC consulted with the AFP on 6 February?

**Mr Balding**—In relation to this matter?

**Senator MARK BISHOP**—Yes.

**Mr Balding**—Yes, I believe so.

**Senator FAULKNER**—Can we just go back a few days if you do not mind, please, Mr Balding. We have the head of group audit consulting with you a number of working days after the leak and also consulting with ABC’s national security manager. Did the consultation—you may or may not know—with the ABC’s national security manager take place about the same time as it did with you?

**Mr Balding**—Yes, it did. They were both in my room at the same time.

**Senator FAULKNER**—It was, in a sense, some sort of formal or semiformal meeting, was it?

**Mr Balding**—Yes.

**Senator FAULKNER**—It seems to me in that circumstance, Mr Balding, that it would be reasonable for me to press you, given you have a meeting in your office, about what particular day this occurred on. My recollection is that 26 January would have been a public holiday.

**Senator SCHACHT**—That is the Friday week after the 19th, obviously.

**Mr Balding**—Correct.

**Senator FAULKNER**—So we are probably talking Wednesday or Thursday, are we, of that week?

**Mr Balding**—Could do, Senator.

**Senator FAULKNER**—Could it have been on the weekend, or on a public holiday?

**Mr Balding**—It definitely was not on the weekend or the public holiday.

**Senator FAULKNER**—Okay. At this stage, as far as you are aware, there is really only two people, two individuals in the ABC, that your head of group audit has engaged in this process, if you like—that is, you and the ABC's national security manager.

**Mr Balding**—Correct.

**Senator FAULKNER**—Thank you very much for that.

**Senator SCHACHT**—Who is the security manager, just by name?

**Mr Balding**—Michael Brookes.

**Senator FAULKNER**—There is a meeting in your office. Was that convened by you or convened by the group audit manager? Who actually convened that?

**Mr Balding**—That meeting was convened by me.

**Senator FAULKNER**—That is, we think, some time late in the week beginning 22 January. I appreciate that you will be able to establish which day it is, but I accept that it is some time in the middle to late that week. What happened as a result of that discussion, Mr Balding, just before we get through to what occurred on 6 February?

**Mr Balding**—As a result of that discussion the head of group audit advised me that he thought it was of a serious nature and that he intended to undertake a review. He invited then the national security manager to participate in that review with him.

**Senator FAULKNER**—That is in accordance with the group audit's—

**Mr Balding**—Within the charter that he operates under.

**Senator FAULKNER**—Yes, within the charter that the head of group audit operates under—I am very thankful that Mr Shier made an opening statement that enables us at least to get all the names right or the titles right; I appreciate that very much—he undertakes that review. In a sense it is his decision, not a decision of the meeting because you say under the charter it is effectively—

**Mr Balding**—It was his decision. He advised me that he was intending to undertake that review.

**Senator FAULKNER**—So it was not something, in effect, you can have any input into. You can be informed of it but it is not something that you could advise on.

**Mr Balding**—The auditor can undertake reviews. It is his decision. Management can ask for reviews to be undertaken but ultimately it is the decision of the head of group audit. In respect of this matter it was his decision. He was not asked to undertake a review. It was his decision to undertake the review, but management can refer matters to the head of group audit for him to consider whether or not it should be—

**Senator FAULKNER**—But that was not done on this occasion.

**Mr Balding**—No, Senator.

**Senator FAULKNER**—No. He was not asked to do it.

**Mr Balding**—No.

**Senator FAULKNER**—But was he advised by you?

**Mr Balding**—In what way, Senator?

**Senator FAULKNER**—To conduct the review. He was not asked to conduct the review. I appreciate the evidence you have given. That is fine. I am asking a different question. Obviously he could have received advice. Now I am asking you: did he—

**Mr Balding**—No, it was very early in the discussions that he informed me that he saw this matter as serious enough to warrant undertaking an internal review.

**Senator FAULKNER**—But did he seek your advice?

**Mr Balding**—No. He just told me that is what he intended to do. I did not disagree with it. It is very difficult for a manager to counsel an auditor not to undertake a review.

**Senator FAULKNER**—So you did not advise him one way or the other?

**Mr Balding**—No, Senator.

**Senator FAULKNER**—And your advice was not sought at that meeting?

**Mr Balding**—No.

**Senator FAULKNER**—Or at any other time?

**Mr Balding**—No.

**Senator FAULKNER**—Okay. What were the outcomes then of this meeting that you convened in your office towards the middle and latter part of the week beginning 22 January? What was the next stage in the process?

**Mr Balding**—The next stage in the process was that the head of group audit and the national security manager left to commence and plan that review and undertake that review.

**Senator FAULKNER**—Yes, and that is their responsibility.

**Mr Balding**—It is the head of group audit's responsibility. He did ask the national security manager to participate with him in that review, yes.

**Senator FAULKNER**—So we come back to what Senator Schacht was asking: who else might have been engaged on the review and when did the review formally start?

**Mr Balding**—The review would have formally started shortly thereafter from that meeting. I am not aware of who else was engaged. He may have had some other resources from internal audit participate, but on the whole I believe the review was generally undertaken by the head of group audit, with the national security manager.

**Senator FAULKNER**—Can we try and nail down ‘shortly thereafter’? That sounds perfectly reasonable. It makes good sense that it would start shortly thereafter. I wonder if we could have a bit more clarity.

**Senator SCHACHT**—Did it start that afternoon or that day or the next day?

**Mr Balding**—I am sorry, Senator, I do not know. The auditor left the room after advising me that he intended to undertake the review. I presumed it would be starting shortly thereafter.

**Senator SCHACHT**—Just one question. This date you are going to confirm—did the auditor ask to come and meet you and brief you?

**Mr Balding**—No.

**Senator SCHACHT**—Or did you ask him?

**Mr Balding**—No. I convened the meeting, Senator.

**Senator SCHACHT**—Why did you convene the meeting?

**Mr Balding**—I convened the meeting primarily to talk to the national security manager in respect of security of information. I then thought it was also appropriate for the head of group audit to attend that meeting.

**Senator SCHACHT**—Why did you take several days to think it necessary to convene the meeting? Why didn’t you do it on the Friday the story appeared, if it was such an important issue?

**Mr Balding**—I would have to look in my diary to see what I was doing. I had asked the national security manager to come and see me. I would have to go back and see what his availability was.

**Senator SCHACHT**—I presume he is in the same building?

**Mr Balding**—Yes, he is.

**Senator SCHACHT**—They are both in the same building?

**Mr Balding**—Sorry, Senator. I cannot recall. He may have been on leave or he may not have been there. I do not know.

**Senator SCHACHT**—It would be very useful if someone could ring your secretary and check some of these dates in your diary sitting on your desk in Sydney. Then we would not have to keep circling around for dates when meetings occurred. Is it possible for someone to do that now—to check with your executive assistant to confirm the dates?

**Mr Balding**—Yes, I presume so.

**Senator SCHACHT**—Can someone do that?

**Mr Balding**—Yes.

**Senator FAULKNER**—That would be helpful, Mr Balding. So shortly thereafter, this commences. Under the head of group audit’s charter, as determined by the audit subcommittee of the board, are these reviews to be conducted with or without input or consultation with management? What does the charter say about that?

**Mr Balding**—The charter is a fairly detailed document, Senator.

**Senator FAULKNER**—I will put the question another way. I appreciate it would be a detailed document. Is it an independent review?

**Mr Balding**—Yes, it is. The reviews are independent.

**Senator FAULKNER**—What do we mean by ‘independent’? This is a matter that obviously the head of group audit has responsibility for. He or she can engage whoever they like in this process.

**Mr Balding**—They can.

**Senator FAULKNER**—That is right, isn’t it?

**Mr Balding**—Correct.

**Senator FAULKNER**—We are not sure who was engaged in the process, except for the ABC’s national security manager.

**Mr Balding**—Yes.

**Senator FAULKNER**—We do not know if others were or were not?

**Mr Balding**—I doubt whether there would be anyone else, other than from audit. I am only aware of the national security manager, in addition to what audit resources may have put on this review.

**Senator FAULKNER**—You do not know what audit resources were applied to this review?

**Mr Balding**—No, I do not, Senator.

**Senator FAULKNER**—When you say ‘resources’, do you mean resources in the sense of personnel or other resources?

**Mr Balding**—Sorry?

**Senator FAULKNER**—I am trying to understand what you mean by ‘resources’. Is that personnel?

**Mr Balding**—There may have been another performance auditor that may have assisted.

**Senator FAULKNER**—So it is personnel effectively?

**Mr Balding**—Yes. Sorry.

**Senator FAULKNER**—Staff resources.

**Mr Balding**—Staff resources, yes.

**Senator FAULKNER**—No other resources?

**Mr Balding**—Resources in what sense?

**Senator FAULKNER**—That is what I am asking you. It is your terminology, not mine.

**Mr Balding**—I used the term ‘resource’ to mean another officer assisting the review.

**Senator FAULKNER**—If any other resources were used, they were from the head of group audit’s own division effectively?

**Mr Balding**—Senator, I cannot confirm that. I am only presuming that. I am not aware of what resources the head of group audit may or may not use. I am only aware on this occasion that he did ask the national security manager to assist, to participate in it, and the national security manager agreed to do so.

**Senator FAULKNER**—This kicks off shortly after the meeting that you have in your office. We understand who is there. Do we know how long the review takes?

**Mr Balding**—A number of days, I presume, Senator. Sorry, I have the date.

**Senator FAULKNER**—Would it be a number of working days?

**Mr Balding**—A number of working days. Senator, I am informed the meeting took place in my office at 9.30 on Wednesday, 31 January.

**Senator SCHACHT**—There was only three of you present?

**Mr Balding**—In that room, yes. The review took place between 31 January and 6 February. I am advised that the head of group audit then consulted with the AFP.

**Senator FAULKNER**—That review was conducted between the 31st and the 6th.

**Mr Balding**—Correct.

**Senator FAULKNER**—It certainly involved your national security manager.

**Mr Balding**—Correct.

**Senator FAULKNER**—During the independent review, was there any interface with ABC management, apart from staff from group audit?

**Mr Balding**—Interface with regard to the process of the review or talking to them as part of the review?

**Senator FAULKNER**—The process of the review.

**Mr Balding**—I do not believe so.

**Senator FAULKNER**—Does that mean no?

**Mr Balding**—I am not aware, Senator.

**Senator FAULKNER**—You are not aware?

**Mr Balding**—No.

**Senator MARK BISHOP**—Before we go to that meeting of 31 January conducted in your office at 9.30, Mr Balding—and I think you said convened by you—

**Mr Balding**—Correct.

**Senator MARK BISHOP**—There was a full meeting of the executive on 30 January, wasn't there?

**Mr Balding**—I presume so. No, there would not have been. The executive meets on the Thursday. This was Wednesday, 31 January.

**Senator MARK BISHOP**—The meeting in your office was on Wednesday, 31 January. When was the meeting of the executive prior to that?

**Mr Balding**—The executive meets every second Thursday.

**Mr Shier**—It meets every second Thursday morning, Senator. I would have to check which one it was.

**Mr Balding**—It would have been the 18th.

**Senator MARK BISHOP**—So the next meeting would have been the 1st.

**Mr Balding**—Correct. No, February.

**Senator SCHACHT**—It could have been that Thursday, 1 February.

**Senator MARK BISHOP**—There was a meeting of the executive on Thursday, 18 January and the next meeting was on—

**Mr Balding**—1 February.

**Senator MARK BISHOP**—Thursday, 1 February.

**Mr Balding**—They are every fortnight on a Thursday morning.

**Senator MARK BISHOP**—You had the meeting on 31 January. What happened then?

**Mr Balding**—The auditor left to commence the review.

**Senator MARK BISHOP**—Was a report made to the executive meeting on 1 February?

**Mr Shier**—No.

**Mr Balding**—Not that I can recall.

**Senator MARK BISHOP**—There was no report made?

**Mr Shier**—No, there was not, Senator.

**Senator MARK BISHOP**—Was there any discussion at the executive meeting of the meeting in Mr Balding's office?

**Mr Shier**—There was no reference to the review at all. If you want me to get there quickly, Senator, I will. Mr Balding saw me in my office on 14 February at 2.15 to advise me that this was taking place with the Federal Police, and he rang Mr Gary Linnane at 9.15 on the same day to advise him. There would be no reason why Mr Balding would advise the executive prior to that.

**Senator SCHACHT**—As a matter of curiosity, who is Gary Linnane?

**Mr Shier**—Our director of corporate affairs. I understand the time line that you are drawing here. If the numbers are correct, and we have no reason to believe they are not, on the 6th—

**Mr Balding**—The police were consulted.

**Mr Shier**—They decided to undertake a review apparently. I was advised on the 14th that that had taken place. How much of that time the police used to make that judgment, I am not sure, but after the meeting that Mr Balding had with the head of audit, the police meeting then took place and subsequently the police decided to act. I think that is your time line, if that helps.

**Senator FAULKNER**—That is part of the time line. I myself was back at 6 February. You have gone ahead eight days, which is helpful, but I was interested in what occurred after the completion of the review. So, if we could go back and have an understanding of that, that would be helpful.

**Mr Shier**—Sorry, I have been corrected. It was the auditor who rang Gary Linnane, not Russell. I was not privy to that phone call, I am sorry. All I know is that Mr Linnane was advised on the 14th, and I am advised now that it was from the auditor. Russell was good enough not to correct me at the time I said it.

**Senator FAULKNER**—You also were advised on the 14th, I think you said.

**Mr Shier**—I was, in person, by Russell.

**Senator FAULKNER**—Thank you for that.

**Mr Balding**—Senator, I would just add: there is another date in between that. From recollection, the auditor consulted with the AFP, I believe, on 6 February; he wrote to the AFP. The AFP then asked for the matter to be referred to them formally, and I believe he

wrote to them on 8 or 9 February. So it was formally referred to them on either 8 or 9 February. They then consider whether or not to undertake a further review.

**Senator FAULKNER**—Just so I can understand this: does the review that is conducted in these instances result in the generation of a review report or document?

**Mr Balding**—It does, yes.

**Senator FAULKNER**—So that would have been finalised on the 6th, would it?

**Mr Balding**—I do not know about the actual detailed report itself being finalised in a hard copy, as such.

**Senator FAULKNER**—Yes, that is what I am asking about.

**Mr Balding**—I do not know that. It was on the 6th that the auditor was of the view that he should consult the AFP.

**Senator FAULKNER**—Yes, sure, I appreciate that. I think you mentioned that before. But I am asking—

**Mr Balding**—Ultimately a hard copy report is written, and it is referred to the audit subcommittee at their next meeting.

**Senator FAULKNER**—Yes, I had assumed that was the case: that such a review would go to the audit subcommittee eventually.

**Mr Balding**—The outcome of the review and the general findings of the review in summary form go to the audit subcommittee; the full report goes to the chair of the audit subcommittee, I believe.

**Senator FAULKNER**—That is helpful to understand: a full report to the chair and, if you like, an outline or recommendations to the committee as a whole.

**Mr Balding**—An outline of the findings of the review, yes.

**Senator FAULKNER**—When was the full report in terms of the document finalised?

**Mr Balding**—I cannot answer that because I have not seen it and I do not know whether it has been finalised in the hard copy sense. The next scheduled meeting of the audit subcommittee is 21 March.

**Senator FAULKNER**—So it may not have been finalised yet? That is possible, isn't it?

**Mr Balding**—In hard copy, the written report? It may be, but I just do not know; I do not know the answer to that.

**Senator FAULKNER**—Fair enough.

**Mr Balding**—Can I just try and clarify here?

**Senator FAULKNER**—Yes.

**Mr Balding**—I am taking the view of the hard copy report being a formal, signed-off report. The auditor, when conducting reviews, obviously has a number of working papers and files. So there would be documentation which allows the auditor to consider such matters and come to a conclusion.

**Senator FAULKNER**—I am just trying to understand the process. I hear what you say, so I understand a little more. But this mean that the findings are determined—which might be perfectly reasonable—prior to the finalisation of the full report. Is that correct?



**Mr Balding**—To the completion of the formal report, yes. An auditor would come to a conclusion prior to completing the final report, because the final report actually reflects the auditor's opinion.

**Senator FAULKNER**—When did the auditor in this instance come to his conclusion?

**Mr Balding**—The auditor would have come to his conclusion on or by 6 February.

**Senator FAULKNER**—That is what I am interested to know.

**Mr Balding**—That is correct, and that is the date—

**Senator FAULKNER**—There is no question about that?

**Mr Balding**—No, because that is the date that he saw it as a serious enough matter to consult with the Australian Federal Police.

**Senator FAULKNER**—So you can confirm for the committee that the auditor had reached his conclusions and after that he made his first contact with the Australian Federal Police. Would that be correct?

**Mr Balding**—That is the way I understand it, yes.

**Senator FAULKNER**—So at some stage, having made his conclusions about this matter, he on 6 February or by 6 February—and I think 'by 6 February' is fairer because I do not know, and I do not think you can tell me, whether it was on or by 6 February.

**Mr Balding**—It was definitely by 6 February.

**Senator FAULKNER**—You are saying it was by 6 February. It may have been before then, but we do not know. So he comes to his conclusions by 6 February and on that day writes to the Australian Federal Police.

**Mr Balding**—Sorry, I think he wrote on the 8th or the 9th. I believe that on 6 February it would have been a conversation, and he may have outlined his thoughts and the outcome of what his initial investigation found. It is then, based on that, that the AFP either request or do not request the matter to be referred to them formally.

**Senator FAULKNER**—Yes, but his first contact with the Australian Federal Police about this matter is on 6 February. Is that correct?

**Mr Balding**—As I understand it, that is correct, yes.

**Senator FAULKNER**—And you think that was likely to be telephonic communication of some description?

**Mr Balding**—It would be initially telephone conversation, yes.

**Senator FAULKNER**—Initially?

**Mr Balding**—Yes.

**Senator FAULKNER**—Was it followed through on that day with any other sort of communication?

**Mr Balding**—It could have been, but I am not aware of the actual process that took place in respect of that.

**Senator FAULKNER**—Do we have someone with us who can assist us on that?

**Mr Balding**—I am sorry, but it is only the auditor himself who would know the precise matters that transpired on that day.

**Senator FAULKNER**—We have not got to that yet. I am interested to hear you say that. I thought the national security manager might know, because he was involved in the review.

**Mr Balding**—He could do, yes.

**Senator FAULKNER**—He could do, couldn't he?

**Mr Balding**—Yes, he could do.

**Senator FAULKNER**—So it is not necessarily only the auditor at all. If the auditor engages the senior officer, the ABC's national security manager in the review, one would assume that these guys would tick-tack on what they thought the conclusions might be.

**Mr Balding**—Yes, one can definitely assume that.

**Senator FAULKNER**—That is an assumption I jump to. So it would not only be the auditor who would know.

**Mr Balding**—Correct.

**Senator FAULKNER**—But, as I say, is there someone who can help us with this?

**Mr Balding**—I doubt it, not in the room now.

**Senator SCHACHT**—Not present?

**Mr Balding**—Not present, no.

**Senator FAULKNER**—What about the national security manager?

**Senator SCHACHT**—Is Mr Brookes available here?

**Mr Balding**—No, he is not here today.

**Senator FAULKNER**—So we know or we assume that there is telephonic communication from the head of group audit to the AFP on 6 February. Do we know that?

**Mr Balding**—There is definitely contact with the AFP. Sorry, I am only assuming it was initial telephone conversation.

**Senator FAULKNER**—There may have been more than one contact?

**Mr Balding**—There may have been, yes.

**Senator FAULKNER**—It may have been by telephone, it may have been by email. We do not know.

**Mr Balding**—It may have been email, it may have been face to face. All I have been advised is that he consulted with the AFP on that day.

**Senator FAULKNER**—We know it was as a result of the conclusions of the review that he did that.

**Mr Balding**—Correct.

**Senator FAULKNER**—So the national security manager and the head of audit, and I suppose others from the auditor's office, may have known about this initial contact.

**Mr Balding**—Would have known, yes.

**Senator FAULKNER**—Would have?

**Mr Balding**—Yes.

**Senator FAULKNER**—Did anyone else in the ABC know?

**Mr Balding**—Not that I am aware of.

**Senator FAULKNER**—But would you know if anyone else had been made aware of that contact?

**Mr Balding**—Only if someone informed me that they were made aware of it, and no-one has informed me.

**Senator FAULKNER**—But you were not informed?

**Mr Balding**—Not at that point in time, no.

**Senator FAULKNER**—Mr Shier indicated in relation to himself what the key date was, 14 February.

**Mr Balding**—That was the date that I informed the managing director that the AFP had decided to undertake an investigation into the leaked document.

**Senator FAULKNER**—But when did you become aware of the outcome of the review—in other words, to involve the Australian Federal Police?

**Mr Balding**—On or about 8 February.

**Senator FAULKNER**—That was 8 February?

**Mr Balding**—Yes. The auditor informed me that the AFP had asked for the matter to be referred to them, and he informed me that he was writing to them in a formal manner, as on 8 February.

**Senator FAULKNER**—I think you have said this before but we ought to be clear about it: the AFP requested a formal reference, if you like, from the ABC?

**Mr Balding**—I understand the correct terminology is a ‘referral’, yes. They then consider the matters and then make a decision whether or not to undertake an investigation.

**Senator FAULKNER**—And that formal reference occurred in writing on either 8 or 9 February?

**Mr Balding**—Correct.

**Senator FAULKNER**—You are not sure of which day?

**Mr Balding**—It depends on the date of the letter. I was informed on the afternoon of 8 February that they would be writing to the AFP.

**Senator FAULKNER**—‘Would be’ as opposed to ‘had done’?

**Mr Balding**—Would be, yes.

**Senator FAULKNER**—Who informed you of that?

**Mr Balding**—The auditor himself, the head of group audit.

**Senator FAULKNER**—I was wondering whether it was him or the national security manager.

**Mr Balding**—No, the head of group audit.

**Senator FAULKNER**—Okay. The head of audit advises you. Do you know if he advises anybody else?

**Mr Balding**—No, Senator.

**Senator FAULKNER**—You do not know?

**Mr Balding**—No, I do not. I can only presume, as per the earlier discussion we had, that he would have advised also the national security manager.

**Senator FAULKNER**—I thought you had presumed that the national security manager would have been effectively in the loop.

**Mr Balding**—Yes, that is what I am saying. I am confirming the earlier discussion.

**Senator FAULKNER**—Was that done at a face-to-face meeting with the audit manager?

**Mr Balding**—Yes, the audit manager came and saw me on the afternoon of the 8th.

**Senator FAULKNER**—That was, what, a one-to-one meeting in your office?

**Mr Balding**—Yes.

**Senator FAULKNER**—On the afternoon of the 8th. You say you were informed, and I appreciate that. Was your advice sought in this regard?

**Mr Balding**—No, it was not, Senator.

**Senator FAULKNER**—He was, effectively, communicating to you what his course of action would be in the near future?

**Mr Balding**—Correct, and then to let me know that he would let me know the outcome of that if the AFP chose to further investigate. He did let me know that outcome, and that is when I informed the managing director.

**Senator FAULKNER**—Which was the 14th, I think Mr Shier had told us.

**Mr Balding**—According to the diaries, yes.

**Senator FAULKNER**—That is a bit more definitive than some of the dates we have had, so I will go with the diary, I think.

**Mr Shier**—Senator, to make it clear, my office logs in most phone calls and it took Mr Linnane's phone call, which is why it would be so precise. It would be logged in, what time it came in and that it was, as I am now advised, from the auditor to Mr Linnane. And, of course, my own diary has a reference to the fact that Mr Balding saw me at 2.15 that afternoon.

**Senator FAULKNER**—If we are jumping ahead of ourselves, we will go back, but I think what you are saying to us, Mr Shier, is that there are two lines of contact. Mr Balding tells you directly on the 14th and the manager of the audit tells Mr Linnane, who, I gather, tells you on the 14th also.

**Mr Shier**—Yes, I presume that Mr Linnane would tell me. I do not know the place of that conversation, but it was the same day.

**Senator FAULKNER**—But there are effectively two lines of contact.

**Mr Shier**—Yes.

**Senator FAULKNER**—Mr Balding, we know that you informed Mr Shier on 14 February.

**Mr Balding**—Correct, Senator.

**Senator FAULKNER**—Were any others in the ABC informed by you of this prior to 14 February?

**Mr Balding**—Not by me, Senator, no.

**Senator FAULKNER**—By others?

**Mr Balding**—Not that I am aware of.

**Mr Shier**—To make it clear, Mr Balding did not have to advise me either. He chose to do so on the 14th because obviously my staff were being affected.

**Senator FAULKNER**—And you know anyway, as we have established, via another process.

**Mr Balding**—Yes. The auditor did ask that I inform the managing director. The request came from the auditor, asking me to inform the managing director of the outcome of the AFP's deliberations, which I chose to do.

**Senator FAULKNER**—What do you mean when you say 'the outcome of the AFP's deliberations'?

**Mr Balding**—That the AFP had decided to undertake a review. I do not mean the outcome of the investigation. I mean the outcome of their consideration of the referral.

**Senator FAULKNER**—You were, effectively, informing Mr Shier of something that took place either late on 8 or 9 February, as I understand it.

**Mr Balding**—No, sorry, I am informing Mr Shier of the outcome of the AFP's consideration of the referral. Their consideration took place between receiving the formal referral—let us assume 9 February—and when they have communicated back to the head of group audit that, having considered the referral, they have decided to undertake a review.

**Senator FAULKNER**—When does that occur? When does the AFP come back to the head of group audit?

**Mr Balding**—Sometime on or by 14 February, I presume.

**Senator FAULKNER**—You do not know?

**Mr Balding**—I would have told Mr Shier, if not that day, the very next day, that they were undertaking it, so I can only presume, again, that I was told on 14 February. The head of group audit informed me.

**Senator FAULKNER**—You recall who informed you but you cannot be sure of when he informed you of that?

**Mr Balding**—No, I cannot. I believe it was a telephone conversation. He rang me to inform me of the outcome of the AFP's consideration of the referral and asked me to notify the managing director.

**Senator FAULKNER**—Yes, but do we know how or when the AFP communicated with the head of group audit to indicate what their response was?

**Mr Balding**—I do not have that with me, no. Sorry, Senator.

**Senator FAULKNER**—When you say, 'I haven't got it with me,' you do not know.

**Mr Balding**—No, I do not know. All the communication is between the AFP and the head of group audit.

**Senator FAULKNER**—I thought someone may well have asked, in the circumstances—either the security manager or the head of group audit—what this time line might have been. Was the ABC security manager in the loop on all this stuff?

**Mr Balding**—He would have definitely been in the loop up to the time of the auditor coming to the conclusion that it warranted consultation with the AFP.

**Senator FAULKNER**—Which was when?

**Mr Balding**—6 February.

**Senator FAULKNER**—What is his engagement or involvement, if any, between the 6th and the 14th?

**Mr Balding**—There would not be, the reason being that one would assume that the internal investigation had concluded by the 6th, from which the auditor formed a view to consult with the AFP.

**Senator FAULKNER**—That is a perfectly reasonable assumption, but I am trying to make as few assumptions as possible. I am trying to understand the process. I think I am beginning to understand the process but I do not think I am necessarily understanding all the time lines.

**Senator SCHACHT**—You are not sure that the review had been completed by the auditor by 6 February?

**Mr Balding**—No, I would be of the view that the review had been completed. What I was saying earlier on in discussion was that I am not aware of whether a formal document, the actual audit report, was written, but the review would have been completed, the initial internal investigation would have been completed, by 6 February.

**Senator SCHACHT**—Are you aware if a document has since been completed?

**Mr Balding**—No, I am not.

**Senator SCHACHT**—You have not been informed of whether it is under construction at the moment?

**Mr Balding**—There would be a document under construction, because the auditor has to report to the audit subcommittee, and the next meeting is 21 March.

**Senator FAULKNER**—In your case, Mr Shier, you had no knowledge of the review, even, prior to 14 February.

**Mr Shier**—The first I knew that anything had happened in relation to this at all was on the 14th at 2.15, that is correct, at which time the police were, shall we say, in action.

**Senator SCHACHT**—Swarming over the ABC.

**Mr Shier**—Not that, but they had had a referral and they had acted on the referral. I think we should remind ourselves that they chose to act on the referral. Whereas people may want to question some judgments that have been made in relation to that referral, the police are not one of those groups who are questioning that judgment. They believe it is appropriate that they should examine this matter.

**Senator FAULKNER**—You did not know about the review. That was my question.

**Mr Shier**—I remembered only the article. Nothing had happened as a consequence of the article.

**Senator FAULKNER**—That is right, so you did not know about the review.

**Mr Shier**—Absolutely.

**Senator MARK BISHOP**—So Mr Hodgkinson, the head of internal audit, contacted the Federal Police to investigate the leak on 6 February—we have established that—and they responded in due course. It has also been reported that Mr Hodgkinson gave prior advice of his intention to a number of other directors. Do you have any knowledge of that?

**Mr Balding**—I am aware that, as part of the initial investigation, he spoke to a couple of other directors as part of the investigation itself.

**Senator SCHACHT**—That was after 31 January?

**Mr Balding**—Correct, and prior to 6 February.

**Senator MARK BISHOP**—So which other directors—

**Mr Balding**—I believe the director of television and the director of news and current affairs.

**Senator MARK BISHOP**—And they are?

**Mr Balding**—Max Uechtritz is the director of news and current affairs and Gail Jarvis is the director of television.

**Senator SCHACHT**—They are not here today, are they?

**Senator MARK BISHOP**—They are not here today. Was Mr Linnane informed between 31 January and 6 February?

**Mr Balding**—I am not aware as such.

**Senator MARK BISHOP**—Apart from those two persons you have just identified, was anyone else so informed?

**Mr Balding**—The staff that were interviewed by the head of group audit and the national security manager.

**Senator MARK BISHOP**—Any other directors?

**Mr Balding**—Not that I am aware of, Senator.

**Senator MARK BISHOP**—It has been reported in the press that Ms Marshall was also advised by Mr Hodgkinson. Do you have any knowledge of that?

**Mr Balding**—I have not, but Ms Marshall is here.

**Senator MARK BISHOP**—I will come to Ms Marshall in a minute. You have no knowledge of that?

**Mr Balding**—No, Senator.

**Senator MARK BISHOP**—Ms Marshall, perhaps you could help us.

**Ms Marshall**—Senator Bishop, I have never spoken to Mr Hodgkinson.

**Senator MARK BISHOP**—You never spoke to Mr Hodgkinson?

**Ms Marshall**—No. I have never had a conversation with him.

**Senator MARK BISHOP**—Never in this period from 31 January to 6 February?

**Ms Marshall**—Not at all. I do not believe I have ever met him.

**Senator MARK BISHOP**—Okay, so you have never had any discussion with him at all?

**Ms Marshall**—No, I have not, and I was not aware there was any—

**Senator MARK BISHOP**—Did you see that press report?

**Ms Marshall**—No, I was just going to say I was not aware there was a press reference, either.

**Senator MARK BISHOP**—Okay.

**Senator SCHACHT**—Ms Marshall, did you hear anything within the ABC informally, either prior to 31 or particularly after 31 January that an inquiry might be conducted by Mr Hodgkinson or Mr Brookes?

**Ms Marshall**—No, not at all. The first I heard about it was when it was announced generally to all staff and everybody through the press and so on.

**Senator SCHACHT**—On 14 February?

**Ms Marshall**—I am not aware of what that date was. Being situated in Melbourne, we do not tend to catch up with those things as well until—

**Senator SCHACHT**—I see, south of the Murray you don't hear much. Thank you.

**Senator MARK BISHOP**—Mr Balding, you just identified the other two directors who were consulted. When did that occur? Do you know?

**Mr Balding**—Sorry, Senator, I do not know the precise date.

**Senator MARK BISHOP**—You just do not know the date, but do you have any idea at all?

**Mr Balding**—Sorry, Senator, sometime between 31 January and 6 February. They were consulted about that. I think they were part of the process. I think they were interviewed.

**Senator MARK BISHOP**—They were formally interviewed?

**Mr Balding**—They were interviewed by the head of group audit as part of the process.

**Senator FAULKNER**—It was part of his review?

**Senator MARK BISHOP**—Yes.

**Senator FAULKNER**—So let us just be clear for the record. Can we just have the names of those directors?

**Mr Balding**—The director of television is Gail Jarvis. The director of news and current affairs is Max Uechtritz.

**Senator FAULKNER**—In a sense what you are saying is, there might be senior officers of the ABC who become aware of the review because the auditor in charge of the review, as part of his review, makes contact with them. Is this the point?

**Mr Balding**—Correct.

**Senator FAULKNER**—Can I ask you, Mr Shier: are you confident that, apart from those directors who may have become aware of this process through being consulted or questioned by the auditor, no other directors were made aware of this review prior to 14 February?

**Mr Shier**—I have been made aware only of those two. I do not know of any others. I have only heard about those ones in this discussion and previous discussions. Just to be clear, neither Mr Uechtritz or Ms Jarvis spoke to me about this matter at all.

**Senator FAULKNER**—I hear what you are saying, but do you appreciate that I am accepting that it is hardly—

**Mr Shier**—Senator, I cannot answer who the auditor spoke to. I am telling you that I do not know of any other directors, but if you wish me to obtain details from the auditors who we spoke to, then I am sure we can get that information.

**Senator FAULKNER**—I would appreciate that.

**Mr Shier**—We are happy to do that.



**Senator FAULKNER**—I think of the issues—if you would appreciate, Mr Shier—it is important that the committee and, more broadly, the parliament and the public, be satisfied as to the independence of the review. I think you would accept that that—

**Mr Shier**—Senator, I understand all that, and I am more than happy to provide that information. I am just saying I cannot answer it because I do not know who we spoke to.

**Senator FAULKNER**—Mr Balding has been able to give us assurances really that no-one else was—

**Mr Balding**—Senator, I cannot give an assurance that no-one else was spoken to. I am not in a position to give that assurance.

**Senator SCHACHT**—Mr Balding, can I ask one matter? You had this meeting at 9.30 on 31 January in which you called in Mr Brookes, the security manager. Is that correct?

**Mr Balding**—Correct.

**Senator SCHACHT**—What prompted you to wait from Friday, 19 January through the weekend? Obviously, you are not going to do it over the weekend, but why didn't you do it on the Friday when the story first appeared in the morning? What was the reason to wait until Wednesday morning of the next week before you thought it necessary to raise this matter with Mr Brookes?

**Mr Balding**—Again, Senator, it was a matter of identifying where the national security manager was and when he was available for me to meet with him.

**Senator SCHACHT**—What do you mean 'where he was'? I presume he is in the building.

**Mr Balding**—Sorry, yes, he is in the building, but whether he was away for two or three days. This is over Christmas-New Year—

**Senator SCHACHT**—It is the middle of January.

**Mr Balding**—People are on leave and I cannot recall whether he was on leave or not. I can only confirm that I did request the meeting with the national security manager.

**Senator SCHACHT**—When did you put the request out or the search squad out to find the security manager? When did you actually put through your secretary a memo, 'Please make an appointment for me to see'—

**Mr Balding**—It was not a memo. I asked my secretary. It would have been a couple of days, the day before the 31st.

**Senator SCHACHT**—The day before?

**Mr Balding**—It was not on the 31<sup>st</sup>; it was before the 31st.

**Senator SCHACHT**—Before the 31st?

**Mr Balding**—Yes.

**Senator SCHACHT**—And you did this completely of your own volition. There was no discussion with anybody else within or without the ABC to meet—

**Mr Balding**—To myself?

**Senator SCHACHT**—To you.

**Mr Balding**—No, that is correct. The national security manager is part of our property division which reports through to me, so I have direct responsibility for that. I wanted to have a conversation with the national security manager on a number of issues, including the leak. I

also wanted to discuss with the national security manager whether we intended to have a proactive approach in reminding staff of their obligations in respect of confidentiality of information.

**Senator SCHACHT**—So when the message went out calling the meeting, was the national security manager informed that the leak on the 19th would be one of the issues discussed?

**Mr Balding**—Yes, I believe so.

**Senator SCHACHT**—Who then arranged for Mr Hodgkinson to turn up?

**Mr Balding**—I also asked for Mr Hodgkinson. I thought it was appropriate also that the auditor be involved with this.

**Senator SCHACHT**—But the auditor has got his own proactive role to play and check.

**Mr Balding**—Yes.

**Senator SCHACHT**—But you were going to prompt him by having this meeting.

**Mr Balding**—I wanted to see what his views were in respect of this matter.

**Senator SCHACHT**—But you were going to prompt him.

**Mr Balding**—No, I was not going to prompt him, Senator. I wanted to know what his views were.

**Senator SCHACHT**—He got the message at the same time, that he was told that he and Mr Brookes would be coming to a meeting together.

**Mr Balding**—Yes.

**Senator SCHACHT**—When they turned up at the meeting, did they in any way indicate that they had had prior discussion with anybody else in the ABC about the matter?

**Mr Balding**—They did not indicate that to me. Both of them indicated to me that they were aware of the media reports.

**Senator SCHACHT**—I hope they would be. So you can assure us that they did not tell you they had any other prompting from anybody else.

**Mr Balding**—They did not tell me that, no.

**Senator SCHACHT**—Mr Hodgkinson has got his right under his own internal charter to be proactive and start an investigation without prompting from anybody.

**Mr Balding**—Correct.

**Senator SCHACHT**—But can he be directed by anybody in the ABC, his seniors, to conduct an inquiry on these matters?

**Mr Balding**—No, he cannot be directed. He is independent of management.

**Mr Shier**—I think the audit subcommittee can direct that.

**Senator SCHACHT**—Sorry, say that again, Mr Shier.

**Mr Shier**—I would have thought the audit subcommittee could direct him. But no individual if that is the point you are making.

**CHAIR**—We did establish these points some time ago, I think.

**Senator SCHACHT**—No, we did not establish this point.

**CHAIR**—We established the independence of the audit subcommittee.

**Senator SCHACHT**—Yes. What I am trying to establish, for the sake of the ABC, is that during the process Mr Hodgkinson was not prompted by somebody, and Mr Balding is assuring us that as far as he was aware he was not prompted.

**Mr Balding**—No.

**Senator SCHACHT**—Other than receive that invitation to come to the meeting.

**Mr Balding**—Correct. Senator, can I just reiterate and confirm that management cannot direct the head of group audit to undertake a review. Management can refer matters to the head of group audit, but ultimately it is his decision whether or not he undertakes an investigation.

**Senator SCHACHT**—How often do you call the group auditor, Mr Hodgkinson, in for a discussion or a chat on anything?

**Mr Balding**—Once a month.

**Senator SCHACHT**—Was this an extraordinary meeting or an additional meeting?

**Mr Balding**—Yes, Mr Hodgkinson reports to me on what we call day-to-day issues, operational issues in respect of leave arrangements, staff arrangements and things like that. As with all managers I meet with them once a month. So I have a standard meeting with Mr Hodgkinson once a month.

**Senator SCHACHT**—Mr Balding, I do not want to be unduly cynical—it gives us politicians a bad name—but Mr Hodgkinson could extrapolate that if he has been called in for a special meeting, warned that he was going to discuss the leak, maybe this was an indication that senior management wanted something done. There is an inference that you could interpret it that way, couldn't you? There was a special meeting called, the word was sent out to find him and tell him to come to the meeting with Mr Brookes. It is not exactly as though this is the normal cup of tea over the monthly meeting; this is something special.

**Mr Balding**—Yes, it is. Whether one can form that opinion—it is an individual judgment. But can I just outline to you how the meeting took place when those two gentlemen came into my room? I said I wanted to talk to them about the alleged leak that was printed in the press. Both of them then informed me that they were aware of it and it was then that David Hodgkinson, the head of group audit, said that he had already formed a view that he should be doing an internal review of this matter.

**Senator SCHACHT**—He said he had already formed a view?

**Mr Balding**—Yes.

**Senator SCHACHT**—Off his own bat?

**Mr Balding**—He did not say that. He said he had formed the view that he should be undertaking the review. He had read the reports and he was concerned about them.

**Senator SCHACHT**—He did not form the view after you invited him the day before to the meeting?

**Mr Balding**—Not that I am aware of, Senator. I cannot answer that.

**Senator SCHACHT**—You were not aware. You do not know whether he was prompted to think about doing this. I think there is a case to argue that by having a special meeting on this matter it is a bit of a prompt to your subordinates that they ought to get weaving.

**Mr Balding**—Senator, notwithstanding whether you can infer that it was a prompt or not, it is still the auditor's discretion whether or not to undertake a review. As I said earlier, management can refer matters to the auditor. I could have asked the auditor to undertake a review. I have asked the auditor to undertake a number of reviews previously. With things in my areas of operation in particular, I can ask the auditor that I would like him to have a look at things. He then makes the decision.

**Senator SCHACHT**—Are leaks to the press in your area of operation?

**Mr Balding**—Beg your pardon?

**Senator SCHACHT**—Are leaks to the press—such as Hodgkinson's story on the 19<sup>th</sup>—in your area of responsibility? You look after leaks in the ABC?

**Mr Balding**—I do not wish to claim credit for that responsibility, Senator.

**Senator SCHACHT**—No, but you look after investigating leaks, not creating—

**Mr Balding**—No, I do not, Senator, far from it. However, security is part of my area of responsibility, and security covers more than just leaks.

**Senator SCHACHT**—You are a plumber.

**Mr Balding**—It covers IT security, it covers security of staff.

**Senator SCHACHT**—I just want to put this to you again, Mr Balding. Before you called that meeting, nobody in the ABC, either directly or indirectly, encouraged you to call those men in to have a discussion about the leak.

**Mr Balding**—No.

**Senator SCHACHT**—Absolutely.

**Mr Balding**—Absolutely, Senator.

**Senator FAULKNER**—Have you now been informed what the actual offence is that is being investigated by the Australian Federal Police?

**Mr Balding**—The actual—

**Senator FAULKNER**—The offence.

**Senator SCHACHT**—What section of the Crimes Act, for example? It is mentioned in the statements.

**Mr Balding**—The AFP are of the view that there is an offence under the Crimes Act.

**Senator FAULKNER**—But what is the act? I wondered if you could tell the committee what the offence is that is being investigated.

**Mr Balding**—From the AFP's point of view? The AFP make a judgment to undertake that review.

**Senator FAULKNER**—Yes.

**Mr Balding**—I do not think I am in a position to answer on what basis they are making that judgment. The matter was referred to them on a number of issues because of the seriousness of the matter, and one of them was the possibility of an offence under the Crimes Act.

**Senator FAULKNER**—Let us take it back a step. Understanding all the processes—because I think you have given us a detailed knowledge of them, and I appreciate that—is an AFP investigation still current, still under way, still being held?

**Mr Balding**—I believe so.

**Senator FAULKNER**—So that is ongoing?

**Mr Balding**—Correct.

**Senator FAULKNER**—Do you know what the alleged offence is that is being investigated?

**Mr Shier**—Senator, I think I should make it clear that I would not require Mr Balding to know that and I am not entitled to know it. The fact is that the AFP have spoken to the chairman of the audit subcommittee, Mr Ross McLean, who is a non-executive director of the board. I do not know what that conversation was, but any discussion about the type of offence that may or may not have been committed would normally be part of that discussion. Of course, Senator, I am interested and I am sure Mr Balding is interested—

**Senator FAULKNER**—Let us be clear here. We have a very good record, believe it or not—opposition senators—of not trampling into operational matters of the Australian Federal Police, and I do not intend to do so. That may put your mind at rest to some extent. We have never done it. I am certainly not going to do it and neither will my colleagues. Given the nature of your own opening submission, I think the question that I have asked is a reasonable one. I did not ask it of you, I asked it of Mr Balding, and I appreciate what you said in answer to my question to Mr Balding.

**Mr Shier**—I was simply saying I would not want Mr Balding to feel he had to know the answer to that question, because I do not believe it is his responsibility to know the answer to that question.

**Senator SCHACHT**—In your statement, Mr Shier, you said that the head of the ABC group audit believed there was a leak ‘with the intention of causing damage to the ABC’s reputation and it was possibly an offence under the Crimes Act’. So someone in the ABC believed it was probably an offence.

**Mr Shier**—I think it has been quite clear from the answers, Senator, who that person is, and that person genuinely believed that that could be an offence under the Crimes Act.

**Senator SCHACHT**—Have they given you no advice even in suggesting what area of the Crimes Act the offence is under?

**Mr Shier**—No. I have not had a meeting to discuss the issue at all with the auditor. I think it is important, though, not to underestimate Mr Hodgkinson. He has made a professional, considered judgment on his own. He has referred that to the Federal Police. Whatever offence may or may not have been committed, the Federal Police themselves have decided that this matter requires investigation.

**Senator FAULKNER**—Yes, yes, but hang on. I am not underestimating anyone, let me assure you, Mr Shier. I am not doing that. I am sure I am not underestimating Mr Hodgkinson. I have never had the pleasure of meeting him and I am making no judgments personal, political, professional or otherwise. I do not intend to take it any further in relation to the operational matters of their inquiry; I have given you that assurance. That is a consistent position we have taken. But the question is: what did Mr Hodgkinson identify as the possible breach of the Crimes Act in order to justify his referral to the Australian Federal Police? I think that is a reasonable question.

**Mr Shier**—With respect, I think you are suggesting that was the motivation. It may have been one of the factors in his mind, but as I understand it, it was the breach of the fraud policy—

**Senator SCHACHT**—Breach of the?

**Mr Shier**—I look to Mr Balding to correct me, to make sure that I am not venturing into areas that I am not sufficiently familiar with. As I understand the fraud policy of the Commonwealth, there are a number of other possible offences that might have been committed, in his judgment. It makes it clear in the statement that I made that there were a number of possible offences, one of which might have been an offence under the Crimes Act.

**Senator SCHACHT**—Is the fraud policy covered by the Crimes Act?

**Mr Balding**—No.

**Senator SCHACHT**—I was going to say—that is different.

**Mr Balding**—The ABC fraud policy as endorsed by the audit subcommittee outlines the nature of fraud, et cetera. It also identifies to the auditor obligations in respect of possible commitments or allegations of fraud. The auditor, under his charter, has to investigate allegations of possible fraud or corrupt conduct and any breach of staff conduct or staff rules. Once he investigates that, he is obligated if he is of the view that the ABC's fraud policy has been contravened, or any obligation specifically dealing with fraud arising from the fraud control policy of the Commonwealth—

**Senator SCHACHT**—Mr Shier, your statement does not mention fraud of the ABC; it only mentions a possible offence under the Crimes Act.

**Mr Shier**—No. I think if you look earlier in the document, Senator, you will find it does.

**Senator SCHACHT**—Which paragraph is that? I stand to be corrected. As soon as you mention Crimes Act, some of us who have had some experience here get a little twitchy about the powers of the Crimes Act. It is a pretty draconian act, and it can actually put people in jail for a long time if they are guilty of breaches of the Crimes Act.

**Mr Shier**—It is at the bottom: 'In consulting with the Australian Federal Police, the head of the ABC Group Audit and the ABC National Security Manager were following the ABC's policy on fraud'—

**Senator SCHACHT**—Which paragraph?

**Mr Shier**—It is the third last paragraph, Senator, starting 'In consulting with'.

**Senator SCHACHT**—Yes, I see it.

**Mr Shier**—Unless it is also referred to somewhere else, but I think that is where it is.

**Senator SCHACHT**—I will pick it up there.

**Senator MARK BISHOP**—How is the leaking of this document, the one you have referred to and discussed earlier, fraud? Can you explain that to me?

**Mr Shier**—Senator, if I may say, that struck me when I was advised that this had taken place. That is quite a good question. I have not practised law for some time, but when I was told that there was a possibility that fraud policies had been breached, my immediate reaction was that it did not sound to me immediately like fraud. At that stage I was not sufficiently familiar with the terms of the particular document, which I have now become familiar with, and I can understand why that may have been the judgment. However, I took some comfort at

the time that I was told that of course, if there was no offence committed, the Federal Police would soon reach that conclusion themselves and the matter would stop there.

**Senator SCHACHT**—Under the fraud policy?

**Mr Shier**—Under whatever, Senator. My feeling was that I was being advised that the internal auditor had advised the Federal Police that he believed an offence had been committed. There were a number of possibilities as to why it might have been. My response to that was, regardless of my own lack of knowledge or my gut reaction that it did not sound to me like a fraud matter, the matter had already been referred to the Federal Police and no doubt they would rapidly reach the conclusion that, if it was not a matter to appropriately investigate, it would stop there and would not be investigated. We now know that the Federal Police formed the view that, in fact, it was serious enough to investigate. It would seem on those facts, Senator, that Mr Hodgkinson's judgment was correct and mine was wrong.

**Senator SCHACHT**—Under the Crimes Act, Mr Shier, is it possible that the journalist in the paper who wrote the story is also in breach of the Crimes Act?

**Mr Shier**—I can imagine a lot of scenarios, Senator. I am not going to deal with hypotheticals. The situation that we have is that a referral was made. A referral was taken up by the Federal Police, and that is the current status of the matter. All I would say is the Federal Police endorsed the actions of our member of staff.

**Senator FAULKNER**—How did they do that?

**Mr Shier**—I will put it this way: in good faith, a member of our staff made a judgment.

**Senator FAULKNER**—Yes.

**Mr Shier**—He implemented the policies as he saw them. He made a referral on that basis and the Federal Police—rather than saying they did not want to take up the issue, as they have done on one or two previous occasions, I understand—did decide, as they have on a number of other occasions, to in fact take up the issue. So it strikes me that they felt there was the likelihood of an offence.

**Senator FAULKNER**—I hear what you say there. That is a value judgment. I may or may not share that view; I probably do not. It is a little different to saying, with respect, Mr Shier, that the Federal Police endorsed an action of a member of the ABC staff.

**Mr Shier**—I use the word 'endorsed' in the sense that they said—

**Senator FAULKNER**—They did not, did they? They have not.

**Mr Shier**—I do not want to use legal terminology, Senator, but they seemed to endorse the view that a prima facie situation had arisen which was worthy of their investigation. That is the take-out I make from the decision of the Federal Police to pursue the matter.

**Senator FAULKNER**—I cannot even begin to guess why the Federal Police investigate some leaks to newspapers and not others. I read a newspaper article on 13 February about the sacking of Mr Guy Dunstan from the ABC. The stories published—I think I have got the right date, it might have been the next day—the next day quoted very senior ABC sources. What has happened to that one? Has that been referred to the Federal Police? Is there a fraud review about that?

**Mr Shier**—I must say I think at the moment, shall we say, the internal auditor would be extremely circumspect as to which matters he would refer to the Federal Police.

**Senator FAULKNER**—He would be pretty busy, too, wouldn't he? He would be pretty busy if he started to investigate all leaks.

**Mr Shier**—I think you have made your point, Senator. I think that is understood.

**Senator SCHACHT**—Mr Balding, in any discussion you had up until the 31st, did Mr Hodgkinson indicate to you, in informal terms, that there was a possible breach of the Crimes Act?

**Mr Balding**—In formal terms?

**Senator SCHACHT**—Informally, that this could be one of the issues; a breach of the Crimes Act?

**Mr Balding**—No, initially he saw it as a serious matter. Initially he was of the view that the ABC's fraud policy had been contravened.

**Senator SCHACHT**—So by 6 February, when he completed his review—up until then there had been no mention of a possible breach of the Crimes Act.

**Mr Balding**—I cannot recall the terminology of the Crimes Act being mentioned during the discussions.

**Senator SCHACHT**—Mr Shier, when did you become aware that the group auditor—mentioned in your statement—was starting to talk about a possible offence under the Crimes Act?

**Mr Shier**—Sorry, the drafting of that document and those references have been taken from my director of corporate affairs who spoke, I assume, to the auditor and that would be their view of it, but Mr Balding seems to be able to—

**Senator FAULKNER**—Sorry, just before we go down that track, that opening statement was actually drafted by you, Mr Balding, was it?

**Mr Shier**—No, it was signed off by me, but I had to get the information from a number of people and the information as to what Mr Hodgkinson's view was as to which offences were committed—

**Senator FAULKNER**—Sure, but you have to satisfy yourself about these things. It is perfectly reasonable for Senator Schacht to be asking you questions about what appears in your own opening statement—

**Mr Shier**—No, I accept that.

**Senator FAULKNER**—whether they be drafted by somebody else or not.

**Mr Shier**—Absolutely, but please understand that the document has been written in the context that the police investigation is under way and I am not going to spend a lot of time now trying to second guess what particular offence the police might believe has been—

**Senator SCHACHT**—We are not asking about the police.

**Senator FAULKNER**—Be clear, Mr Shier: we are not going to trample into an area that is an operational matter for the Federal Police. We are not going to do it—I have said that to you—and no-one is going to ask you to guess or second guess on those issues. It would not be fair and, in my view, it would not be proper.

**Mr Shier**—Senator, I am open to the distinct possibility that they may decide that there is not an offence under the Crimes Act. However, whatever they have decided, they have decided to investigate.



**Senator FAULKNER**—Nevertheless there is a whole range of other issues that go to the question of the original review that are perfectly properly dealt with by this committee because it was an internal ABC review, whether it was conducted by the head of audit or somebody else. For example, I might ask you how many ABC staff were interviewed by the head of audit in the original review. Would you be able to assist us with that?

**Mr Shier**—I have seen reports that it was 50. I asked the question, ‘Was it 50?’ I was told, ‘No, it was closer to the other report, which was 11.’ As I understand it the process may not have finished, so I do not know the final number. Maybe Mr Balding can give a number—

**Senator FAULKNER**—What, the process of the review has not finished?

**Mr Shier**—Sorry. As I understand it some interviews took place yesterday. I do not know whether the process of any—

**Senator FAULKNER**—If the review has not finished, why is the matter off with the Federal Police?

**Mr Shier**—I am sorry, I am talking about the police review. I am sorry.

**Senator FAULKNER**—I am not asking you about the police—

**Mr Shier**—I thought you asked the number of our staff who were interviewed by the Federal Police.

**Senator FAULKNER**—I am not. I have made it clear that I do not want to ask those sorts of questions. I want to clarify this, Mr Shier. I am asking you about—and I thought I had made it very clear, but I do want to now make it clear if I did not—your own auditor’s review.

**Mr Shier**—I think we also made it clear what the expression ‘your own auditor’s’ means. The auditor has in fact acted on his own initiative and when the issue came to my desk we were already in a situation where the Federal Police had been advised and had taken the decision to act. I do not see a lot of merit in then trying to rewrite history and find out what has happened. The fact is we were in the situation—

**Senator FAULKNER**—I am not trying to rewrite it, Mr Shier. I am just trying to establish what the history is. I do not want to rewrite it.

**Mr Shier**—Yes. I think we are trying to help you with what the history is.

**Senator FAULKNER**—I appreciate that you have been very helpful but all I am asking is: how many people at the ABC did the head of the ABC group audit interview in relation to this matter? That is all.

**Mr Shier**—I think, with respect, Senator, it is an inappropriate question for me to ask the head of group audit.

**Senator FAULKNER**—Why?

**Mr Shier**—Because he does not report to me.

**Senator FAULKNER**—But he is not here for me to ask. It may be inappropriate for you to ask him, Mr Shier, if you feel that way; I am sensitive to that.

**Mr Shier**—Senator, I do not know the answer.

**Senator FAULKNER**—But he is not here. I cannot ask him.

**Mr Shier**—Okay. I do not know the answer. I will obtain the answer, if you would like the answer. I do not have the answer. But I also think it is an inappropriate question for me to ask

him for the very good reasons that Senator Schacht gave earlier—why should I be asking that question? Why should I put him in that position?

**Senator FAULKNER**—But, Mr Shier, do you appreciate that the gentleman concerned is not here at the table. I cannot ask him. I can merely ask you or Mr Balding or another officer of the ABC. In that circumstance it seems proper to direct the question to you. You may well have a very good reason for not knowing the answer, but I do not have any alternative but to ask you.

**Mr Shier**—I have undertaken to get the information, Senator.

**Senator SCHACHT**—Mr Balding, or Mr Shier, you said that the statement was drafted—I understand that—assisted by a number of senior executives. Was it one of those other executives who put the paragraph in the audit about Mr Hodgkinson talking about the Crimes Act? Is that correct?

**Mr Shier**—It would be Mr Hodgkinson who would have made the reference to the Crimes Act; otherwise it would not be in there. No-one else has put that—

**Senator SCHACHT**—But he did not tell you that, because you said this was drafted by somebody else.

**Mr Shier**—No, he did not. You are right, Senator. I am presuming that the reference to the Crimes Act has been signed off by Mr Hodgkinson to the person who put that in the document.

**Senator SCHACHT**—And who was the person who put it in the document?

**Mr Shier**—I think the first draft that it was in was also Gary Linnane's.

**Senator SCHACHT**—The name of your corporate affairs director.

**Mr Shier**—The director, corporate affairs.

**Senator SCHACHT**—In any information the reference to the Crimes Act does not get to the detail of what he believes which section of the Crimes Act may have been breached?

**Mr Shier**—No.

**Senator SCHACHT**—Do you think that in a statement that is likely in this public forum, to raise the issue of the Crimes Act—which I have to say raised my eyebrows; I can understand the fraud issue being raised or some other thing—could be seen as an intimidating statement; a warning to all staff of the ABC, that if you do leak—they may think in the national interest or the public interest—you can have the Crimes Act put on to you, which is a draconian—

**Mr Shier**—Senator, I am trying to look for it. I think it is prefaced by the words 'might be' and 'a possibility'.

**Senator SCHACHT**—But the fact that it is raised—the Crimes Act is seen as a draconian piece of legislation; people could say that people have breached the security of Australia; leaks; spies or whatever. To put it on the ABC staff—

**Mr Shier**—It is not raised for any other reason than that it goes to the question of whether the gentleman concerned genuinely felt that there was a sufficiently important matter to refer it to the Federal Police. As a matter of fact, as I understand it—and the document deals with that—he genuinely felt that the fraud policy had probably been breached and there may have been, or there possibly was, a breach of the Crimes Act. It goes to the fact of his state of mind. I cannot comment on that.

**Senator SCHACHT**—But you have no idea what the actual breach may be even considered under the Crimes Act.

**Mr Shier**—No. I am rapidly becoming interested in the details of the Crimes Act, Senator, but I do not know them at this point in time sufficiently well.

**Senator SCHACHT**—Do you, Mr Balding, know the details of the Crimes Act that may be in play here?

**Mr Balding**—I have a section, yes, Senator.

**Senator SCHACHT**—What is the section?

**Mr Balding**—If you would just bear with me, please, Senator.

**Senator SCHACHT**—Certainly. Waiting for this one I certainly will bear with you.

**Mr Balding**—Senator, I have an extract from the Crimes Act 1914 section 70. Part 6 is headed ‘Offences by and against public officers 70 Disclosure of information by Commonwealth officers’:

(1) A person who, being a Commonwealth officer, publishes or communicates, except to some to person to whom he is authorised to publish or communicate it, any fact or document which comes his knowledge, or into his possession, by virtue of being a Commonwealth officer, and which it is his duty not to disclose, shall be guilty of an offence.

(2) A person who having been a Commonwealth officer publishes or communicates without lawful authority or excuse, proof whereof shall lie upon him, any fact or document which came to his knowledge or into his possession by virtue of having been a Commonwealth officer and which at the time when he ceased to be a Commonwealth officer it was his duty not to disclose, shall be guilty of an offence.

**Senator SCHACHT**—What is the penalty?

**Mr Balding**—The penalty is imprisonment for two years.

**Senator Alston**—Maximum two years.

**Senator SCHACHT**—I am sure you will be down there guaranteeing that they get the maximum penalty, Minister. That is a draconian outcome for a document that may have been leaked.

**Mr Balding**—Senator, we are not in a position to comment on the document. What we are trying to help you with is in the auditor coming to a conclusion that the leak of the information may possibly be a breach under the Crimes Act.

**Senator SCHACHT**—Have you ever heard of the auditor, in any previous case like this in the ABC, referring to an investigation where someone could be in breach of the Crimes Act and, if found guilty, be given two years’ jail maximum?

**Senator Alston**—Senator Schacht, can we be quite clear. It just happens that the provision that relates to unauthorised disclosure by public servants resides in the Crimes Act. It could be in another act—

**Senator FAULKNER**—Section 70—an oldie and a goodie, I am sure you would agree.

**Senator Alston**—It does not really help to demonise the Crimes Act as somehow tantamount—

**Senator SCHACHT**—Demonise it? It is what it says it is.

**Senator Alston**—All you are being told is that the provision that applies to unauthorised disclosure is the section Mr Balding has read out. I do not think you should be somehow pretending that the Crimes Act per se is clearly inappropriate for dealing with the matter unless there is some other section that you think is more appropriate.

**Senator FAULKNER**—Senator Alston, I am sure you and Mr Shier would agree that section 70 of the Crimes Act—I would always describe it as an oldie and a goodie; we have heard about that over the years. That would also apply to whoever leaked the story on Mr Guy Dunstan, wouldn't it?

**Mr Shier**—It would only be relevant if the group auditor or the head of group audit felt that was damaging to the ABC and of sufficient seriousness that he should refer it to the Australian Federal Police.

**Senator SCHACHT**—You are telling us that he determines which of the citizens are above suspicion.

**Mr Shier**—Sorry?

**Senator SCHACHT**—You are saying that the auditor determines which citizen or employee is above or below suspicion in these matters.

**Mr Shier**—I really do not want to trivialise an incredibly hard decision made by a professional member of our staff.

**Senator FAULKNER**—What has been done about the Guy Dunstan issue?

**Mr Shier**—What do you want to know about the Guy Dunstan issue, Senator?

**Senator FAULKNER**—I am just asking in relation to the leak to the press, that is all.

**Mr Shier**—Senator, if I was, with respect, reacting to leaks every day I would not get a lot of work done.

**Senator FAULKNER**—That is obviously at a senior level.

**Mr Shier**—Let us be clear where we are on this matter. We are here because a decision was taken to refer this matter to the Federal Police. It was not my decision. As it is, this particular outcome has resulted in taking up an amount of my time and certainly an amount of this Senate estimates. It is not of my making. The situation that we are in has occurred. It would be desirable that it be settled as soon as possible but, I repeat, I think it has been done in good faith by a well-intentioned member of staff. At the end of the day the Federal Police have decided that that action was worth investigating. I hope they will do it soon and I hope they reach their decision soon. I am not under my right of being able to refer matters to the auditor. I am not about to refer, on my own judgment, the Guy Dunstan matter, as you describe it, to the group auditor. So nothing will happen about it.

**Senator FAULKNER**—So nothing will be done?

**Mr Shier**—Nothing will happen on that leak.

**Senator FAULKNER**—Nothing has been done about that leak.

**Mr Shier**—I have done nothing about that leak as I did nothing about the previous leak, Senator.

**Senator FAULKNER**—Yes, okay. Are you pleased that the AFP are investigating the leak of—

**Mr Shier**—I would like the matter to be resolved as soon as possible. I have heard only the rumours that everybody else has heard, which is that apparently—and I do not want to elaborate because it is subject to investigation—but apparently a member of staff met formally with two journalists and formally briefed them and took them through a document. The auditor obviously felt that was a concern. Of course my concern is a completely different concern. That is that a document which is inaccurate and wrong has gained a credibility, supposedly because it was leaked, which it never had and would not have had if it had stayed internal, because it factually gives wrong information.

So not only do I have the disadvantage that I have a supposed problem with leaks being dealt with; I have a problem that an inaccurate document has gained a credence which it does not deserve. I welcome the chance at the Senate here today to correct it.

**CHAIR**—Thank you, Mr Shier. At this point the committee is going to adjourn because a small function has been arranged in honour of Mr Stevens. Would the committee like to come outside.

**Senator Alston**—While the committee is still formally in session, the estimates committee process has been with us now since about the '70s and Mr Stevens has been in the Public Service since I think 1971. He has certainly been in the communications department under its various manifestations for seven years. He would have probably chalked up the world record for number of attendances at estimates committees and I have to say that his performance has been remarkably dutiful. In opposition I must confess to a certain degree of frustration from time to time but I never for a moment questioned his professionalism and his absolute commitment. I can actually recall Senator Faulkner saying a few things along the same lines on one other occasion. I thought it was appropriate that we should mark the fact that after all these years Mr Stevens is moving on to greener pastures. We should at least note that he has probably made a contribution greater than almost anyone else. Certainly from my point of view as a serving minister I found his assistance invaluable both in the course of this process and in all other areas where professional advice is required.

**Senator FAULKNER**—Mr Chairman, could I associate the opposition with the remarks that the minister has made. I am terribly jealous of Senator Alston, of course, because about six years ago I was sitting right there where he is when we were in government, sitting next to Mr Stevens, representing the then Minister for Communications, who of course was a House of Representatives minister. I have had only a few visits to the table at this estimates committee because other heavier responsibilities have meant I have not been able to attend very often. But I, like Senator Alston, have had the experiences on both sides of the table and I too, on behalf of the opposition, wish Mr Stevens a very happy retirement from the Australian Public Service. No doubt there will be many other things that he will want to do in his illustrious career. What has been said about you, Neville, is absolutely true. You are very professional, an outstanding public servant and we wish you well for the future.

**Mr Stevens**—Thank you very much.

**Senator SCHACHT**—Mr Chairman, before the lunch break I said a few words then because I thought might not have another chance. I will repeat them. Like Senator Alston and Senator Faulkner, I want to acknowledge Neville's professionalism. He was head of the department when I was a minister. Remember, Neville, I had a particular brawl with the bureaucracy of CSIRO at one stage and I appreciated your professionalism at that period and loyalty at that time. I, like Senator Faulkner, have sometimes been frustrated at your ability to

stonewall here at the estimates on behalf of your minister—that is Senator Alston—but always done with great grace.

**Senator SCHACHT**—I wanted to acknowledge the fact that you are one of the few heads of department who loyally sit through the whole of the estimates committee for your department. No matter how tedious, boring and frustrating you may think we are, you sit there and are always on top of your game. I wish you well for whatever you do and, as I said before lunch, I hope you will be able to enjoy many more visits to the ballet, the opera, and all those arts things which you so dearly love.

**Senator FAULKNER**—And the footie!

**Senator SCHACHT**—You are now the outgoing cultural tsar of Australia. Well done!

**Mr Stevens**—Thank you.

**CHAIR**—I would like to suspend for 15 minutes. Senator Alston's staff have prepared an afternoon tea for Mr Stevens. I invite all members of the committee and witnesses who are here at the moment to partake of this.

**Proceedings suspended from 3.39 p.m. to 4.03 p.m.**

**CHAIR**—We have all the key players here.

**Senator MARK BISHOP**—Mr Shier, in your tabling statement at page 2 on the seventh paragraph you said the number of such managers as at 5 February 2001 is 166.

**Mr Shier**—I now realise I have a different draft, Senator, but yes, I am with you.

**Senator MARK BISHOP**—Have you found it, second page, towards the bottom, second to last paragraph?

**Mr Shier**—Yes, I am with it.

**Senator MARK BISHOP**—166 managers. Can you tell us: are the 166 bodies directors or SE5 to 19s?

**Mr Shier**—Each individual has been assessed in relation to: do they pass or do they satisfy that test which I defined earlier—that is, the definition of what is a manager. I think for the purposes of the issue of the staff numbers and correcting 55 and pointing out the six, of course, this is really just additional information.

**Senator MARK BISHOP**—It is.

**Mr Shier**—But when people say to me, 'How many people run the ABC, including middle management?' the fact was we never knew the answer to that question, so we decided we needed to know the answer to that question if for no other reason than we wanted to invite our managers to come to a management conference and become involved in the strategic directions. That is the 166.

**Senator MARK BISHOP**—The management team is 166. How many of those 166 would be classified as directors?

**Mr Shier**—There are 13 executive directors who report to me and there are another seven state or territory directors who report into one of the other directors. In terms of executive directors of the corporation, those people existed before but they did not report in quite the same relationship.

**Senator MARK BISHOP**—So the answer is 20-odd directors and 146-odd would be under the old SE5 to 19.

**Mr Shier**—That is right, and 13 executive directors report to me.

**Senator MARK BISHOP**—Okay, got that. Can you tell us the number of directors and SE5 to 19 as at March 2000?

**Mr Shier**—I can, but Mr Balding will find it more quickly, I think. Let's check that I have the right number in my head.

**Mr Balding**—As at March 2000?

**Senator MARK BISHOP**—Yes.

**Mr Balding**—There were 245 senior executives. There were 81 senior executives 1 to 4 and 164 senior executives point 5 to 19.

**Senator MARK BISHOP**—Okay, got that. In the leaked document—that is around the place everywhere these days and Mr Shier has discussed it—how many of the SE5 to 19 positions referred to in that leaked document and this one here have been advertised?

**Mr Shier**—Have been advertised? To be honest most of those people I suspect were already on the staff. I really do not know the answer to that question, Senator. I would have to find it.

**Senator MARK BISHOP**—Any idea, Mr Balding?

**Mr Balding**—No, I am sorry, Senator.

**Senator MARK BISHOP**—Can you take it on notice, please?

**Mr Balding**—Certainly.

**Senator MARK BISHOP**—In your opening statement, Mr Shier—

**Mr Shier**—Do you want it broken down to external and internal, Senator?

**Senator MARK BISHOP**—Yes, if you can. Add as much as you can. You said in your opening comments at paragraph 5 on page 1 and I quote:

Of equal concern to us was that the document leaked also contained detailed personal information on all staff members in the senior executive classifications, including where appropriate names, salary classification and the status of the individual manager's position.

The leaked document I have here, headed Impact of Restructure on Senior Executive Establishment—and I have been through the 20-odd pages—I am unable to find in that any details that identify any individual at all. It is tables and charts referring to classification positions and salary scales and usually the midpoint, as you referred to, but I am unable to find any names of individuals anywhere at all in the ABC. Could you advise us where that damaging personal information is in the leaked document.

**Mr Shier**—I will ask the finance director to explain the cross-referencing and how that can occur.

**Mr Balding**—Senator, I am not aware of the document you have, but the document I have seen which was alleged to have been the leaked document dated 14 November, has details of individual SE names, positions and the status of the positions and also has the salary classification, whether the executive is an SE5 to 6 or and SE7 to 9 or whatever. Also, it has the status of the position in respect of whether or not that position is required.

**Senator MARK BISHOP**—It does not have any names, does it?

**Mr Balding**—The document I saw recently does have names.

**Senator MARK BISHOP**—The document I have here—and I am happy to give you a copy of it, because that is the document that has been provided to us and we are advised it is the leaked document that is circulating in other circles.

**Mr Balding**—Senator, there may be another leaked document.

**Senator MARK BISHOP**—In that document there are no names and all it has is the job status, position number, job title, location, job classification and the level within it.

**Mr Balding**—The document I saw that the manager from HR—who actually prepared the document—brought up to my office yesterday had details in the document. I said, ‘Is this the document that has allegedly been leaked?’ He said, ‘Yes, this is the document. This is 14 November document.’ He had the full document. Whether part of that document was leaked or not we are not in a position to ascertain, but the document that he showed me had details of individual names, their salary band and the status of the positions.

**Senator FAULKNER**—One of his concerns was and one of the reasons—let me be very careful how I describe this—the auditor proceeded with the AFP investigation was because the leaked document contained wrong information. I think that is fair, isn’t it, Mr Shier?

**Mr Shier**—In relation to numbers, yes.

**Senator FAULKNER**—In relation to numbers?

**Mr Shier**—Yes. I can only assume that, because the press reports included wrong information.

**Senator FAULKNER**—That I did not understand and then we had the break. We had happier things to talk about, with Mr Stevens’s farewell. Could you just explain that to me. Why would you worry more about a document that contained wrong information, than a leak that contained accurate information? It is all lost on me.

**Mr Shier**—There are two things, Senator: first of all the decision in relation to what should happen because of this document being leaked was taken by the head of audit, unrelated to the knowledge that I happened to believe that the information was wrong. I assume he believed the information was correct and that he was simply concerned that it put the ABC in a bad light. The fact is, of course, the press reports reported a situation as if it was a significant increase in expenditure—which may have been justified, but in this case had not occurred and was not justified—to be commented on. Clearly that is a case where a misleading document can give a false impression in relation to what is taking place at the ABC and in this particular case the assertion was that a lot of money was being spent on putting 55 new people in jobs when in fact the number was six. So the two are disconnected, in the sense that I am sure that the head of audit believed the document was correct and had 55 in it, or at least assumed it was correct. My concern, when I saw the press reports, was that the information was wrong.

**Senator SCHACHT**—You corrected it and made some public statement at the time?

**Mr Shier**—We did. I have copies of that. Our press adviser went public and said that the information was incorrect. In fact, it was reported in a number of papers; I have copies of them. But it has continued to be reported as if fact. So from my point of view that is a concern.

**Senator FAULKNER**—But I was driving to work this morning, to Parliament House here, happily listening to the radio, and there was a suggestion that some document that you had produced—your CV or something—was wrong. Why should we treat that any more seriously?



**Mr Shier**—How do you mean, treat it indifferently? My reaction to the fact that the document was incorrect had no relevance to the fact that the head of audit took his actions. I am simply telling you now that the press reports bothered me, and I had no idea, in fact—

**Senator SCHACHT**—Bothered you on the day you read them?

**Mr Shier**—On the day I read them.

**Senator SCHACHT**—And you conveyed that being bothered to other people in the ABC?

**Mr Shier**—I did. On the day in question I saw that it reported 55 and I said to our head of press, ‘You should correct that. It’s wrong.’

**Senator SCHACHT**—The head of what?

**Mr Shier**—The person who looks after the press for us. I said, ‘You should correct that,’ and he corrected it and it went on the record as being corrected.

**Senator SCHACHT**—So it was corrected within a day?

**Mr Shier**—Yes.

**Senator SCHACHT**—And now we have an investigation that is talking about charges being brought against people under the Crimes Act.

**Mr Shier**—I had no idea, obviously, that at the same time this other process was taking place. But in answer to the Senator’s question—

**Senator SCHACHT**—No, hang on. It was corrected within 24 hours by your press person saying, ‘This leaked document got this wrong.’ Four or five days later, Mr Balding has called a meeting with the auditor, Mr Hodgkinson, and the security manager, Mr Brookes, and then from there we are off into a federal investigation. And your major concern is that the figure on employment was wrong, which you corrected in half a day?

**Mr Shier**—I have no idea whether the head of audit saw in the press report that the figure was wrong or not. The fact—

**Senator SCHACHT**—Mr Balding, did you know that the number in the document that was leaked and published on the 19th was incorrect, on that day?

**Mr Balding**—On that date I did not believe it to be true.

**Senator SCHACHT**—Did you comment to anybody that it was not true?

**Mr Balding**—Not that I am aware of, no.

**Senator SCHACHT**—When you had the meeting—

**Mr Balding**—I was aware that there was a correction going out.

**Senator SCHACHT**—And then four days later you called—

**Mr Balding**—Sorry, Senator, can I just—

**Senator SCHACHT**—Sorry, this is really strange.

**Mr Balding**—Can I take you back to the meeting that I called. I did not call the meeting with a view of prompting an auditor. I am happy to put this on the record: I did not call a meeting—

**Senator SCHACHT**—But it was a special meeting.

**Mr Balding**—Senator, please. I did not call a meeting to prompt an auditor to conduct a review. Part of my responsibility is being in charge of security. Security comes in many forms,

as I said, including staff security and information security through IT. Audit, under its role, also has a fraud policy charter. What I wanted to do as a result of this was to ask the national security manager and the auditor what was in the pipeline in putting out a proactive strategy to staff reminding them of their obligations in respect of confidential information—reminding the staff of some basic house rules in a proactive way that if you have confidential information, you don't leave it lying about, you do lock it up. The other issue that was coming to my mind was that it may not have been a staff member who leaked this report; it may be that someone came into the ABC, not a staff member, and stole that information. So that is why—

**Senator FAULKNER**—How many other special meetings have been called for leaks like this?

**Mr Balding**—Not from myself—

**Senator FAULKNER**—No, how many have you called? In any other leak? Is this the only time you have called one?

**Mr Balding**—Yes. But, again, Senator, I called this meeting to ask my manager what he was doing in respect of a proactive campaign—not a reactive campaign, but proactive.

**Senator FAULKNER**—How long have you had this current responsibility, Mr Balding?

**Mr Balding**—A bit over five years, Senator.

**Senator FAULKNER**—Have you ever at any other time called such a special meeting?

**Mr Balding**—Not that I can recall.

**Senator FAULKNER**—You would be able to recall it if you had, so this is pretty unique, isn't it? This is a first, a first in five years. And the plot thickens, doesn't it?

**Senator SCHACHT**—And you tell us now, but you did not tell us before the break, that you actually put to them that you wanted them to be proactive in sending—

**Mr Balding**—No, sorry, Senator, I did not say I put that to them. I said I called the meeting to ask them what they were doing in a very proactive approach. At the early part of that meeting the auditor said, 'I see this as a very serious matter and I'm intending to conduct a review.'

**Senator FAULKNER**—Mr Balding, I want to understand this. Mr Shier, I think quite correctly, has mentioned the fact that if he or the ABC got bogged down in every leak you would have a lot of problems. I think Mr Shier has acknowledged that, and I agree. In opposition we always say, of course, that if any documents come to us we will protect all sources and we deal with them accordingly, as you would appreciate. So—there have been a lot of leaks? Why this special process in relation to this one? Why, in the five years you have been in that position, on this one and only occasion do you convene this special meeting—and the result of it is the cops come in? That is what I do not really understand.

**Mr Balding**—I believe that the auditor would have conducted the review even if I had not called the meeting. The meeting was not to prompt the auditor.

**Senator FAULKNER**—All right, but why did you call the special meeting, the only meeting that has ever been called in five years?

**Mr Balding**—I called the special meeting to find out what they were doing about a proactive approach in respect of security of information in the ABC.

**Senator FAULKNER**—So this was the most serious leak in five years, was it?

**Mr Balding**—I regard it as a serious leak, yes.

**Senator FAULKNER**—That is not the question.

**Senator SCHACHT**—It was corrected within a half a day of the leak occurring. Information was put out correcting the figure of employment.

**Mr Shier**—Well, obviously not, with respect, Senator, because we have been having the press constantly for the last few weeks actually keep repeating 55. We might have tried to correct the leak—

**Senator MARK BISHOP**—They are like that, Mr Shier.

**Mr Shier**—but it is clear we did not manage to.

**Senator SCHACHT**—Don't complain to us about the press! We've complained about them all our lives.

**Mr Shier**—I hope today we have corrected it.

**Senator MARK BISHOP**—Mr Balding, last time we were here I had another leaked document and that was a report commissioned—by Mr Bales, was it? It went to the future of possible avenues the corporation could go into in terms of commercial enterprises.

**Mr Balding**—Correct.

**Senator MARK BISHOP**—I tried to cross-examine Mr Shier on it and he said, 'I'm not going to talk about that,' in respect of a number of questions, because it went to possible plans for raising extra revenue streams for the corporation in the future. You did not refer that to the head of audit.

**Mr Shier**—Mr Balding did not refer the other one, either.

**Senator MARK BISHOP**—No, but the head of audit did not get involved in that leak. The head of audit did not refer that leak off to the Australian Federal Police, and that went to your bottom line—money coming in from additional commercial enterprises. This document here deals with classification levels and salary bands pursuant to an industrial agreement that is registered and in the public domain. Half of this room knows what it is.

**Mr Balding**—But that is a judgment of the auditor.

**Senator MARK BISHOP**—Why was that not done then and why is it done now?

**Mr Balding**—That is a judgment of the auditor to investigate that.

**Senator MARK BISHOP**—Why didn't you call a special meeting back in November when people were leaking your commercial secrets all over town?

**Mr Shier**—Maybe for the very good reason that the auditor reached a conclusion at some point that there was an accumulation of this activity, and eventually he has decided that he is going to act. I cannot speak for him. We are going to ask him because you want me to ask him.

**Senator FAULKNER**—But, with respect, Mr Shier, you cannot actually speak for Mr Balding on this. I appreciate your assistance, but I am trying to focus on why Mr Balding, who has been in his current position for five years, on one and only one occasion, which is the one we are canvassing here, calls a special meeting, and the end result is that the cops are traipsing through the ABC. That is what I would like to understand. Mr Balding can tell us that because he is—

**Mr Balding**—Senator, I am happy to outline that to you.

**Senator FAULKNER**—Thank you.

**Mr Balding**—But, please, do not associate me calling a meeting which results in the cops tramping through the ABC. I did not call the meeting to prompt an auditor.

**Senator FAULKNER**—Okay. Let me take it back a step, then. Let me take the value judgment out of it. I consider myself chastised. Why did you call this special meeting, the first one you have ever called in your five years in this current position you hold in the ABC?

**Mr Balding**—Senator, I was concerned about the number of leaks. I regard it as a damaging leak in respect of having inaccurate information. In respect of our fraud policy, we try to adopt a proactive approach rather than a reactive approach. There are two issues here.

**Senator FAULKNER**—It has taken five years to call. That is not very proactive.

**Mr Balding**—No, sorry. You said, ‘Call a special meeting.’ I have discussions with my managers on a regular basis in respect of security of the building, security of information and proactive fraud strategies. You have asked the questions: was this a special meeting and was this the first one called? I answered that I recall that this is the first one where I have called it specifically to address this issue. The issue that I wanted to address—and that is why I called the national security manager—is access to the building, security of information, security of the property of the ABC.

We have conducted a number of proactive approaches in respect of the theft of assets. We had discussions here at the last Senate estimates about the theft of ABC assets. We have taken a proactive approach there by reminding staff that, every time an asset is stolen or misused, that is a misuse of ABC money and ABC assets and that is taking money off programs. You try and adopt a proactive approach rather than a reactive approach.

Over the last four or five years, audit has adopted a proactive approach in respect of its fraud strategy. There has been a poster campaign reminding staff of their obligations. My purpose in calling and talking to the national security manager was to discuss what we are doing about a proactive approach in reminding staff of their obligations in respect of confidential information, in particular the housekeeping. For example, if you have to prepare a document which is confidential, remind staff in a gentle way not to leave it on desks.

**Senator FAULKNER**—Why has it taken five years to call this special meeting? This is what I do not understand. Maybe I’m thick, but I don’t get it. I do not understand why it has taken five years to call a special meeting.

**Mr Balding**—Senator, I have had many conversations with my managers about the protection of information, fraud policy and strategy, without necessarily calling a special meeting for that particular item. I meet with my managers on a monthly basis.

**Senator FAULKNER**—But we have a once-only special meeting, Mr Balding, called by you. I understand that.

**Mr Balding**—For one particular item only.

**Senator FAULKNER**—And how many times have you had AFP investigations that have involved officers of the ABC investigating leaks in the last five years? How often has that happened?

**Mr Balding**—I am not aware of any.

**Senator FAULKNER**—No, sorry, there is the current one, isn’t there?

**Mr Balding**—Other than the current one.

**Senator FAULKNER**—Yes. We have you calling a special meeting once only in five years and a once-only police investigation investigating a leak. It is unusual, isn't it? This is very different to the normal modus operandi, however good or bad it might be, at the ABC. Hence, the concern publicly and, I think, at this committee.

**Mr Balding**—Senator, I can only reiterate what I and the managing director have said previously. The meeting was not called to seek an investigation by the AFP.

**Senator FAULKNER**—It led to that.

**Mr Balding**—And that may have happened whether or not I called the meeting.

**Senator FAULKNER**—But after the meeting that you called—first ever—an AFP investigation occurred—first ever. You say that they may or may not be related, or that they are probably related, but I think, to be fair to you, you are saying that the AFP investigation may have occurred anyway. That is the point you make?

**Mr Balding**—Correct.

**Senator FAULKNER**—My question is: why the special meeting? I still do not understand. Why call it?

**Mr Balding**—It is part of my obligation to follow up—

**Senator FAULKNER**—Why wasn't it five years ago, with all these leaks that Mr Shier is being bemused about? And I understand why. We have had heaps of leaks. The damn thing is like a sieve.

**Senator SCHACHT**—Irrespective of which government is in, it leaks like a sieve.

**Mr Balding**—Senator, I have had numerous meetings with my managers over the past five years that I have been with the ABC, to encourage them, to talk to them, to find out what they are doing in respect of confidentiality of information, fraud strategy and fraud policy, but I cannot recall where I have specifically called a meeting to address one particular item.

**Senator SCHACHT**— Why did you wait five days to do it, if this was so serious?

**Senator FAULKNER**—He did not wait five days; he waited five years!

**Senator SCHACHT**—I am talking about the incident that appeared in the press. If the incident was so serious to call the special meeting, I cannot work it out. On the Friday morning you pick up the paper and it is in the paper—'This is terrible.' Why did you wait till the following Wednesday morning? There is a lapse in the time that does not fit.

**Mr Balding**—Senator, there is the issue of availability of staff, but also to see what they are doing about a proactive campaign. Whether it is the following day or the following week, the issue is: what are we doing on a proactive approach?

**Senator SCHACHT**—I have to say, Mr Balding, that it still does not jell with me that you had to wait to call this first meeting. You were prompted by the episode. If it is so serious, why didn't it take place when it was fresh in everyone's mind on the Friday? You have not been able to tell me that Mr Hodgkinson was overseas on a study trip or that Mr Brookes was somewhere else. They were obviously in the same building. Their offices are in the same building?

**Mr Balding**—Correct.

**Senator SCHACHT**—Ultimo?

**Mr Balding**—Yes.

**Senator SCHACHT**—I cannot work that out. There seems to be an oddity in the time scales here, as Senator Faulkner has raised. It is a special meeting. They have still waited until five days after the event. And you say it did not prompt somebody, like the auditor, Mr Hodgkinson, to say, ‘Well, gee, I’ve got the message here. The boss is saying we’ve got to be proactive. I’ve been thinking about it, by the way, boss. We’re going to get the Federal Police in,’ or, ‘We’re going to have an inquiry which leads to the Federal Police.’ It does not fit.

**Mr Balding**—You referred to ‘the boss’.

**Senator SCHACHT**—You are their boss. They report to you.

**Mr Balding**—Yes.

**Senator SCHACHT**—You are the boss. That is what I am saying.

**Mr Balding**—I am the boss of the national security manager.

**Senator SCHACHT**—Yes, but you called Mr Brookes in and then Mr Hodgkinson came. You told us earlier that you invited Mr Brookes.

**Mr Balding**—Both of them, yes.

**Senator SCHACHT**—And then Mr Hodgkinson.

**Mr Balding**—No, both together.

**Senator SCHACHT**—You are Mr Brookes’s boss specifically.

**Mr Balding**—Correct.

**Senator SCHACHT**—Do you know whether Mr Brookes and Mr Hodgkinson, after they were called to the meeting, had a discussion before they came in to see you?

**Mr Balding**—I do not believe they had a discussion before they came in to see me. They definitely had discussions afterwards.

**Senator SCHACHT**—Obviously, they had it afterwards, yes. All I can say, Mr Balding, is that I find the time scales of all of this a little odd, to say the least, and it does not fit.

**Senator FAULKNER**—That was editorialising, I think.

**Senator SCHACHT**—I know, but I cannot help it.

**Senator FAULKNER**—I am trying to protect Mr Balding in that regard. Now that, obviously, Mr Shier, you understand the background, the timetable and what has occurred in relation to the review committee and the AFP investigation, are you now, as the Managing Director of the ABC, willing publicly to endorse the referral of this matter to the Australian Federal Police?

**Mr Shier**—I have a member of our staff who acted professionally, in good faith, and I think that what he referred was, in his judgment, appropriate; and I think that the action of the Federal Police suggests that they endorse or view similarly that an offence may have been committed.

**Senator FAULKNER**—Thank you for that, but now I am asking you for your view.

**Mr Shier**—I am sorry, I am not going to comment on an action which I think was taken in good faith, and I am not going to deal with a hypothetical as to what I would do in another situation that might occur in the future. We will deal with those situations as they arise.

**Senator FAULKNER**—Does the board endorse it?

**Mr Shier**—I think it is fair to say that we would like to lend some support to that gentleman who had to make that decision on his own call under the current procedures. I think that it would be desirable that he had an ability to communicate with a group of people prior to that referral.

**Senator FAULKNER**—There may be a change of process?

**Mr Shier**—I do not want to prejudge the board, but I would understand why we might be more comfortable, and I would actually understand why Mr Hodgkinson might be more comfortable, if there were a procedure in place which allowed a concern on his part to be considered by other members of the audit committee prior to referral.

**Senator FAULKNER**—We have the audit subcommittee, as you correctly say. Either you or Mr Balding indicated previously that the conclusions of the audit manager's review had gone to the chair of the audit subcommittee.

**Mr Shier**—No. I think the next board is on 21 March and the audit subcommittee would normally meet prior to that board. It does not meet at every board.

**Senator FAULKNER**—No, the chair.

**Mr Balding**—Sorry, Senator. You were questioning about actual audit reports and what happens to them and I said that the findings of those audit reports are communicated to the audit subcommittee each quarter.

**Senator SCHACHT**—And it is a financial matter?

**Mr Balding**—No, they are internal audit reviews of the corporation.

**Senator SCHACHT**—Reviews of the management process. Right.

**Mr Balding**—And ones to consider the ABC's financial statements prior to the certification of the Auditor-General.

**Senator SCHACHT**—In your five years, Mr Balding, as a senior member of the ABC, has the audit committee ever been called together for a phone hook-up on a matter such as we are discussing now?

**Mr Balding**—I would not know, Senator. I am not a member of the audit committee.

**Senator SCHACHT**—Sorry. Mr Shier?

**Mr Shier**—Well, I can only comment on the period—

**Senator SCHACHT**—On the last 12 months.

**Mr Shier**—Yes, exactly.

**Senator SCHACHT**—You might take that on notice. I do not think in my time here since 1987 there have been estimates committees on the ABC. I do not think there has been a previous time when the Federal Police have been called in, so maybe it is not serious enough to have recalled another meeting.

**Mr Balding**—Sorry, Senator. The Federal Police, first of all, were not called in. We need to make that very clear on the record.

**Senator FAULKNER**—People had to go down to Ultimo.

**Mr Balding**—But the Federal Police have investigated matters before in the ABC.

**Senator SCHACHT**—When they were investigating matters before in the ABC, was the audit committee urgently called together.

**Mr Shier**—No, Senator.

**Mr Balding**—No.

**Senator SCHACHT**—This is another unique occurrence?

**Mr Shier**—In fact, it works both ways, because I think what is significant about the other occurrences that I have been made aware of, the last four occasions, is that the head of audit took the action without referring it to the audit committee.

**Senator FAULKNER**—Yes, but these were not about leaks, were they, Mr Shier? We were told that a bit earlier today.

**Mr Shier**—I do not want to try to spell out what offence has been committed here, because I am, like everybody, interested to see what happens. But there is clearly an acceptance by some people that this was a theft of information, so we have had previous occasions—

**Senator SCHACHT**—It is about straight theft, the pinching of a typewriter or something, is it?

**Mr Shier**—What I am saying is that I am not going to second-judge the decision of people who decided to refer this. The fact is, on the previous occasions, the person who took this decision did not consult the audit committee as a full group, took the decision on their own initiative and referred it to the next audit committee, and, as I understand—and Mr Balding will confirm if I am correct—was supported and congratulated for the action they had taken.

**Senator SCHACHT**—Yes, because the theft that we are talking about, I suspect, was material theft—money or things like that.

**Mr Balding**—Senator, it was deemed to be a fraud.

**Senator SCHACHT**—A fraud.

**Senator FAULKNER**—Let us hear what it was.

**Senator SCHACHT**—What was it compared with this particular case?

**Senator FAULKNER**—You have told us before, Mr Balding, and I think Mr Shier has been able to confirm, that we have never had the AFP in to investigate a leak to the media at the ABC. However, I think you have confirmed to us today that on four other occasions the AFP has been called in. Over what time frame has that occurred, please?

**Mr Shier**—Senator, the four have occurred, as I understand it, in the last year. Is that right?

**Mr Balding**—Yes. There have been other instances where matters would have been referred to the AFP or where the AFP would have been consulted. The auditor, Mr Hodgkinson, who has been in the job since about October 1999, has identified for me four other instances—obviously since he has been the head of group audit—where matters were consulted with the AFP. There was one matter in April 2000 where they were investigating an alleged misuse of an ABC travel account for private purposes. Another one, at the time of July 2000, was the theft of some \$15,000 worth of assets from our Townsville regional office. In November 2000 there was an allegation in respect of a staff member's family business being allocated work for the ABC.

**Senator FAULKNER**—Yes, understandable.

**Mr Balding**—And on another occasion there was an attempted use by an ABC employee to use ABC generated frequent flyer points for private purposes.



**Senator FAULKNER**—Yes, it is quite appropriate, isn't it? No-one is going to argue about those. But this, of course, is not anything remotely like that. This is a media leak that we are talking about. Anyway, you have been able to confirm that in the five years that you have been around we have never had the AFP dealing with such a matter. That is helpful to know. This is a process question about the police investigation; it does not go to an operational matter. Was it an AFP decision to hold the interviews away from the Ultimo ABC headquarters? I think I read in the press that it was Goulburn Street police station. Was that an AFP decision?

**Mr Shier**—I do not know.

**Mr Balding**—Sorry, Senator, we do not know.

**Senator FAULKNER**—One reads in the paper that quite a number of staff were interviewed. When there is an AFP investigation, staff need to be interviewed. That is accepted.

**Senator SCHACHT**—When they were asked to be interviewed, when they were asked to go down to Goulburn police station, they would have had to let their superior know that they were going to be off in working hours, going to be away from their work site. Was that approved and noted?

**Mr Balding**—The staff were informed.

**Senator SCHACHT**—When the police said, 'We want to interview you about the leak, we're doing it down at Goulburn Police Station—

**Mr Shier**—Senator, in answer to your earlier question, I am not aware of any request by the Federal Police to use our facilities.

**Senator SCHACHT**—If the staff were interviewed in their own work hours, and had to leave their Ultimo office to go down and be interviewed, was that noted?

**Mr Balding**—The staff would have been regarded as on duty.

**Senator SCHACHT**—But it was recorded that they had been requested to go down to Goulburn station to be interviewed?

**Mr Balding**—I believe so.

**Senator MARK BISHOP**—Were they invited to go down?

**Mr Balding**—They were invited.

**Senator MARK BISHOP**—Who invited them?

**Mr Balding**—The Australian Federal Police.

**Senator SCHACHT**—Did any refuse to go down?

**Mr Balding**—Not that I am aware of.

**Senator FAULKNER**—Did the staff concerned receive any directives, instructions or communications from ABC management?

**Mr Balding**—Yes.

**Senator FAULKNER**—Could you explain what they were for the committee, please?

**Mr Balding**—I am sorry, Senator, I am not aware of the full details because it was dealt with through the audit, but I believe that the staff were told of the impending investigation and interview by the AFP.

**Senator SCHACHT**—All the staff were told?

**Mr Balding**—The staff affected. The staff that the AFP had nominated they wanted to talk to.

**Senator SCHACHT**—Did they inform the senior management of the ones they wanted to interview? You have got a list of those who were going to be interviewed?

**Mr Balding**—I have not, no.

**Senator SCHACHT**—Did Mr Hodgkinson get a list?

**Mr Balding**—I presume so.

**Senator SCHACHT**—Did the human resources and industrial relations person get a list of all the staff being interviewed?

**Mr Balding**—I do not know, Senator.

**Senator SCHACHT**—Could you take that on notice?

**Mr Balding**—Yes, I can.

**Senator SCHACHT**—And how widely dispersed and circulated is that list?

**Mr Balding**—I will take that on notice.

**Senator SCHACHT**—Just because you are on the list, could that mean that you could have that attached to your employment file?

**Mr Balding**—I doubt it very much, Senator, but I will take it on notice.

**Senator SCHACHT**—Can you check that?

**Mr Balding**—Yes.

**Senator MARK BISHOP**—Were they invited to attend or were they directed to attend?

**Mr Balding**—My understanding, Senator, is that they were invited to attend.

**Senator MARK BISHOP**—What is your understanding as to who invited them?

**Mr Balding**—The Australian Federal Police.

**Senator MARK BISHOP**—I understand that the AFP invited them to attend at the police station to be interviewed. My question is: were they directed by any manager in the ABC to comply with that invitation?

**Mr Shier**—Senator, that is a reasonable question. Let us find out. There must have been a mechanism by which people were advised. Can we find that out for you?

**Senator MARK BISHOP**—Did people just walk off the job and out the door for three hours?

**Mr Balding**—No, Senator.

**Mr Shier**—I presume it was through the human resources department, but I do not know, Senator.

**Mr Balding**—I am suggesting, Senator, that the staff being interviewed during business hours would have been regarded as being on duty. I would find it very strange if that were not the case.

**Senator MARK BISHOP**—I accept that, and what I am asking you, Mr Balding, is which staff member in the ABC directed them to leave their normal place of work and attend the police station and be interviewed?

**Mr Balding**—I do not believe any staff member of the ABC directed any of our staff to attend. They would have notified them.

**Senator MARK BISHOP**—Notified them of what?

**Mr Balding**—Of the AFP's request to talk to them.

**Senator MARK BISHOP**—Would they also have been notified that they did not have to comply with that request?

**Mr Balding**—I do not know, Senator. We will take that on notice.

**Mr Shier**—I have been advised that, at least in one case, Michael Brookes, whom we referred to earlier as the national security adviser, advised at least one person in relation to their attendance by email. Whether that is typical of all cases or indicative, I do not know.

**Senator SCHACHT**—Was any advice given to the staff that they might choose to seek legal advice before they accepted the invitation to be interviewed?

**Mr Balding**—I do not know the full extent of that, Senator. But we can take that on notice.

**Senator SCHACHT**—Do you know whether the union that represents, I suspect, most of the work force at some level was advised so that they could talk to their members about legal assistance? If you take someone off individually down to the police station to be interviewed, that is going to be a pretty daunting experience, in view of talk about breaches of the Crimes Act, et cetera.

**Senator MARK BISHOP**—Mr Shier and Mr Balding, people in the ABC sometimes leak documents to a whole range of individuals.

**Mr Shier**—So we have been told.

**Senator MARK BISHOP**—So we are told.

**Mr Shier**—I am being constantly reminded, Senator. I am not sure whether I am supposed to be happy with this or not, but I am being reminded.

**Senator FAULKNER**—You seem to keep smiling through it.

**Senator MARK BISHOP**—I must have had eight to 10 phone calls from various ABC reporters—*AM*, *PM*, the current affairs shows, some of the TV programs—ringing me for comment on this issue over the last three days, and I know from time to time that people leak material to ABC reporters. That is their job: to get leaks and get it out as press. What is the ABC's position in respect of its own employees who receive leaked material? Do you give them a prize or something or do you send them off to the coppers?

**Mr Shier**—I understand the conflict, Senator.

**Senator MARK BISHOP**—When they do it really well, they have a big night and you give them a gold watch and a big speech and a big dinner, and sometimes they get a big prize as well, don't they, when they get a really good leak and a really good story?

**Senator FAULKNER**—When was the last gold watch and big dinner, Mr Shier? Come on.

**Senator MARK BISHOP**—Yes, come on.

**Mr Shier**—I understand the sentiments of the question, Senator.

**Senator MARK BISHOP**—That is your business, isn't it, getting leaks?

**Mr Shier**—There is no doubt that the corporation on many occasions benefits, as I would like to think society as a whole benefits, from a certain number of leaks. On the other hand, I would not, I must say, regard that as an excuse for people to be leaking material in relation to the corporation.

**Senator SCHACHT**—Mr Shier, an ABC journalist was leaked a document from the defence department that the defence department claimed breached Australian security or put Australian security at risk. If that journalist or a range of ABC journalists were being interviewed by the Federal Police, would you offer those journalists legal advice about their rights?

**Mr Shier**—Senator, I am really not going to deal with hypotheticals.

**Senator FAULKNER**—Can I ask you this, please, Mr Balding, because I still do not understand. I read the Senate estimates committee transcript some time ago about something called the Bales report. This report I believe had been—and I use the word advisedly—leaked. I think that is fair, isn't it?

**Mr Balding**—Correct.

**Senator FAULKNER**—I must say I have not read the leaked Bales report but I read some transcript of evidence. That was, as I understood it, really about the future of commercial enterprises at the ABC, in a nutshell. Is that a fair description?

**Mr Shier**—It was one man's view of a potential change in how that division is run within the corporation, yes.

**Senator FAULKNER**—Thanks for that. I do not pretend to be an expert in all these things, Mr Shier. But that was a very sensitive report, was it not?

**Mr Shier**—When you say very sensitive, again I think this is one of the cases where a document which perhaps did not provide all that I would have liked included information which was then used in a way which was not advantageous to the corporation and was unnecessary. For example, concerns were created that maybe some of the information that was reported on was true about what would happen at the corporation, so it was an unhelpful document to be leaked to the extent that it was wrong, absolutely, Senator.

**Senator FAULKNER**—And there was an internal investigation and review about that?

**Mr Shier**—I fear that there was an assumption that we knew who did it, Senator, and I would not want to go further on that.

**Senator FAULKNER**—I am making no assumptions. I am asking if there was an internal review.

**Mr Shier**—But what I am saying is that if you think you know who leaked it, I do not think you need an investigation, Senator.

**Senator FAULKNER**—You just round up the usual suspects.

**Mr Shier**—Shall I say no more than: you deal with it.

**Senator FAULKNER**—Was that matter referred to the Federal Police?

**Mr Shier**—No, it was not.

**Senator FAULKNER**—You did not organise a special meeting on that one, Mr Balding?

**Mr Balding**—No, I did not, Senator.

**Senator FAULKNER**—And in relation to Mr Guy Dunstan, that is a very recent leak again.

**Mr Shier**—Sorry. Can you just clarify the leak that you are referring to here because I would have thought it is not a leak. I would have thought it is a reasonably public thing.

**Mr Balding**—Senator, can I just go back. You were asking was there a special meeting in respect of this alleged leak document in respect of enterprises. I did discuss the matter with my head of legal services and asked that she write to Mr Bales, reminding Mr Bales of his contract and, in particular, a clause in his contract in respect of confidentiality. There were no allegations put; it was just reminding Mr Bales of his confidentiality.

**Mr Shier**—And I hasten to add, Senator, that you cannot connect writing that letter to my comment about who I thought leaked it.

**Senator FAULKNER**—No. My interest, as I hope you appreciate, Mr Shier, is process; in this case consistent process. You asked me why I raised Mr Guy Dunstan. It was because of the very high-level sources quoted in the ABC about his sacking. It appeared to be something leaked out of a very high-level ABC source.

**Senator SCHACHT**—There was no press statement about Mr Dunstan's sacking, formally, was there?

**Mr Shier**—No. There was probably a press report before it became public knowledge.

**Senator FAULKNER**—But you did not leak that, did you, Mr Balding?

**Mr Balding**—No, Senator.

**Senator FAULKNER**—You did not leak that, did you, Mr Shier?

**Mr Shier**—No, and the head of group audit did not decide to investigate it. You are right.

**Senator MARK BISHOP**—Let us go back to all of these ABC reporters who sometimes receive leaks. What advice would you give to those ABC reporters if their company, or whatever it is, sent it off to the AFP to investigate?

**Mr Shier**—I am sorry?

**Senator MARK BISHOP**—Let us assume that an ABC reporter receives a leak and writes a story or puts something out on the TV or the radio, directly deriving from that leak. The company that has offended in that refers the matter off through the head of their audit committee to the AFP, and the AFP chooses to think that it is serious, somewhat endorses the head of the audit committee and carries out an investigation. That ABC reporter is going to come to someone in senior management and ask for advice as to what they should say to the policemen from the AFP. What is the policy position? What would your senior management advise that ABC reporter to do in such a circumstance?

**Mr Shier**—I am sure we would give them legal advice through our legal department, but I would not like to give a general ruling as to what that legal advice would be, and I would not like to deal with a general hypothetical.

**Senator MARK BISHOP**—No, I am not asking for legal advice. Your reporters receive leaks and it is their job to get it out into the airwaves, and sometimes investigations are called.

**Mr Shier**—Indeed, Senator.

**Senator MARK BISHOP**—And they are going to come to their senior management and ask, when the policeman knocks on their door, ‘Do I give up my source? Do I dob someone in? Do I say nothing? Do I take a stand on principle? Do I run the risk of being fined? Do I run the risk of going to jail?’ When they come to Mr Balding as head of corporate and ask him for advice, what does Mr Balding say to those reporters?

**Mr Shier**—You would well understand, Senator, that it is a judgment in each case.

**Senator MARK BISHOP**—No, it is not. It is a general position that the ABC has.

**Mr Shier**—No, it is not, Senator.

**Senator MARK BISHOP**—What is the position?

**Mr Shier**—If the use of the leak satisfied another public purpose, had value on the basis that it would be useful for the people of Australia to know that, then I think a judgment would have to be made, so, yes, there would be situations where we would get information, we would not like to divulge the source and we may act on it.

**Senator SCHACHT**—Surely there must be somewhere in the corporate structure of the ABC—and must have been over for however many years—some standard range of advice at short notice, so that if someone gets into the position adequately described by Senator Bishop, senior management know how to respond and are not trying to say, ‘Gee, this is a bit more serious because this one is from Defence, compared with last week’s which was from Community Affairs,’ et cetera. There must be some standard advice prepared, some standard management procedure prepared.

**Mr Shier**—Clearly there is not a licence for any ABC member to steal any information and then use editorial excuses for why they did it.

**Senator MARK BISHOP**—There are reporters who receive leaks and publicise them as part of their employment contract. If they come to you, Mr Shier, or someone less senior than you, and ask advice as to what they should do when a policeman knocks on their door, what do you tell them? It has happened in the past and it has happened repeatedly; we know all that. So what do you advise them?

**Mr Shier**—If they act in good faith, generally I cannot imagine a situation where we would not—

**Senator MARK BISHOP**—How many of your reporters act mala fides, Mr Shier?

**Mr Shier**—I am not suggesting they do.

**Senator MARK BISHOP**—You are putting on: ‘if they act in good faith’. They do not act in bad faith.

**Mr Shier**—I am well aware there will always be an exception. I take the point you are making: we are the recipients of information which is a result of a leak. I think in many cases it is in the interests of the nation that we are recipients of that information. What I am saying is that there is not a blanket approval for taking and using that information. There ought to be some public good or public benefit resulting from that.

**Senator MARK BISHOP**—If someone leaks to one of your senior reporters the deliberations of private meetings of Mr Beazley’s leadership group or Mr Howard’s leadership group within the government as to key decisions they are going to make—maybe not in the public interest, on electoral matters or strategic matters—the first thing that reporter does is race off and print it. That is his or her job, isn’t it, to get that leak?

**Mr Shier**—Yes.

**Senator MARK BISHOP**—You would find that reporter to be not carrying out their job if they did not seek those leaks, wouldn't you?

**Mr Shier**—Absolutely. And in a situation where somebody felt they wanted to bring that matter up and question that person's entitlement to do that and challenge them in the doing it, generally the corporation would want to support that member of staff.

**Senator SCHACHT**—I will give you a more specific example which has often happened in the past with journalists. They have got a leak from the budget coming out in two days time. They get a good scoop that there is going to be an increase in petrol tax of 2½ cents per litre, or on GST, et cetera. They get that leak. They then publish it; they get a scoop. They are professional and they want to get the recognition. It is a very good story; everyone else picks it up. The government, as is usual whether it is Labor or Liberal, says, 'This is outrageous. There has been a budget leak. We are calling in the Federal Police to investigate who in the government department was responsible for the leak.'

**Mr Shier**—That is a judgment call for the—

**Senator SCHACHT**—Let me finish. The first thing that they do is to go to the ABC journalist and say, 'We are interviewing you. Who gave you the story?' The journalist says, 'I cannot divulge my source.' They say, 'If you don't tell us, we may consider taking legal action.' What is the response of Mr Uechritz, the ABC head of news and current affairs? He must have some standard form to say, to give protection to his journalists so that they are not hung out to dry but the organisation protects them.

**Mr Shier**—I am going to be handed the editorial policy, so I can check the clause.

**Senator SCHACHT**—We have finally found it, have we?

**Mr Shier**—Yes. 'Editorial staff will not be obliged to disclose confidential sources which they are entitled to protect at all times.'

**Senator SCHACHT**—But when it is a leak from within the ABC they are going to have to answer to the Federal Police, even though it is from a confidential source.

**Mr Shier**—These are editorial guidelines. I am not saying that they override the law of the land. Theoretically, as I understand it, if in the scenario you portray the government was ill-advised enough to proceed with that course of action and engage the Federal Police, resulting in that situation where a member of our staff was being cross-examined, I think that would be a very unwise course of action on their part. But in that situation the corporation, I think, would stand behind the member of staff.

**Senator SCHACHT**—And provide legal assistance and advice?

**Mr Shier**—Yes, absolutely.

**Senator MARK BISHOP**—Mr Shier, were you angry about the leak when you were advised of it?

**Mr Shier**—When I saw the leak?

**Senator MARK BISHOP**—Yes.

**Mr Shier**—It is a similar answer to one I gave on some other occasion. If I got angry about every leak I see, I would be in constant anger. I was annoyed to see a suggestion that the number of staff employed in middle management had increased to 55—the suggestion that I had willingly been spending money that could otherwise go into programs on a large

management structure, when in fact it was not true. 'Annoyed' is definitely the word. Honestly, Senator, I remain annoyed. I welcome the chance that the Senate has given me today to correct the story and indicate that it was, in fact, six people.

**Senator MARK BISHOP**—We have made our points in terms of the leak and you have made some points to us. What I want to do now is move on to the CV issue which was flagged this morning on your radio station.

**Senator FAULKNER**—By you.

**Senator MARK BISHOP**—By me, that is right.

**Mr Shier**—I did not hear you on our station this morning, Senator.

**Senator MARK BISHOP**—One of your reporters rang me for a comment, Mr Shier.

**Mr Shier**—If you could give me a brief summary of what you said, that would be helpful.

**Senator MARK BISHOP**—Your reporter asked me a question as to what I was going to be asking about today. One of the things that she identified and I responded to was your CV. That having been in the public domain for about 12 hours, let us turn to it now. In the *Weekend Australian* of 17-18 February of this year, it was alleged that you only worked for Scandinavian TV for 10 months rather than the two years claimed on the CV posted on the ABC web site, a copy of which I have here. Is this allegation true?

**Mr Shier**—It is wrong. I think it would be best answered by me putting my CV on notice for publication. If anyone would like to read it, that is fine. Obviously, what has been published is a summary document. I am more than happy to add to it and tell people who I consulted for, subject only to confidentiality agreements which I have in relation to some of my clients. I am more than happy to do that.

**Senator MARK BISHOP**—That is fine. The document is a media release of Tuesday, 9 November 1999, 'ABC appoints new managing director'. It attaches your background, which lists your employment from 1997 to 1999, MTG-TV3, based Stockholm and London. The CEO of Metro Internationale, Pele Tornberg, has advised in the press that you only worked for the company for less than a year. Is that report correct or incorrect?

**Mr Shier**—It is debatable. Obviously there was a period between when I left and when my term finished with the corporation. I am more than happy to spell that out in the document.

**Senator MARK BISHOP**—We might ask you to spell it out now, because the background information on the ABC web site says that you were employed for two years. Mr Tornberg says you were employed for less than one year.

**Mr Shier**—I signed with them in December of 1997 and I left them in April of 1999. That is more than 10 months. On top of that there would have been—

**Senator MARK BISHOP**—Stop there, Mr Shier. You signed in December of 1997.

**Mr Shier**—Yes.

**Senator MARK BISHOP**—When did you start work?

**Mr Shier**—I started work in February.

**Senator MARK BISHOP**—From February 1998—and you left when?

**Mr Shier**—In April of 1999.

**Senator MARK BISHOP**—So you worked there for 14 months. Is that correct?



**Mr Shier**—Yes.

**Senator MARK BISHOP**—But the documentary information says that you worked there for two years.

**Mr Shier**—It does not. Obviously, in an abbreviated CV, if you finish in 1996 and you start in 1997, unless you leave on 31 December 1996 and you start on 1 January 1997, there will be a gap between when you leave one position and when you start the next.

**Senator MARK BISHOP**—It says ‘1997-1999’.

**Mr Shier**—It should say ‘1998-1999’; I signed in December 1997—but I am not sure that that would make you any happier.

**Senator MARK BISHOP**—Your web site says you worked there from 1997 to 1999. You now advise us that you worked there from February 1998 to April 1999, so there is an inaccuracy in the web site which you will attend to. When you were interviewed to come and work as the MD for the ABC, was there a committee that did that?

**Mr Shier**—I was interviewed a number of times. You are talking of April 1999 as the end of that occasion. I think the position was advertised in June of 1999. I came to Australia in April or May of 1999. I saw a number of headhunters about a number of possibilities. I then heard that the ABC might be looking for a new chief executive. The position was advertised in June, I think, and I had my first interview with a headhunter in relation to the ABC job in, I think, August 1999.

**Senator MARK BISHOP**—That is a perfectly reasonable explanation.

**Mr Shier**—Then, as you know, the ongoing interviewing process took place until November 1999.

**Senator SCHACHT**—In that interview process, did you go through a psychological testing before you took the position?

**Mr Shier**—I wish I had, Senator. I had in my two previous positions, but I did not actually indicate to them that I thought they should do that. I did not think that was a wise move.

**Senator SCHACHT**—You did no Rorschach ink blot test or anything like that?

**Mr Shier**—I would have been perfectly happy to do it, but the fact was that it was not a requirement for the application for the position, and I did not suggest it.

**Senator MARK BISHOP**—As part of that interview process, you would have provided a CV to the various headhunters, certainly in the early stages.

**Mr Shier**—No doubt, yes.

**Senator MARK BISHOP**—Did the CV you provided contain the accurate information of the period of employment with your previous employer—that is, February 1998 to April 1999—or did it contain the apparently inaccurate information?

**Mr Shier**—I would like to check the original of this. If you are asking me has it been consistent, I do not know. I would like to think it has been. Each CV would have been properly prepared for any particular job I was talking to people about. But generally I was not talking about particular positions. I was simply letting headhunters know I was back in Australia.

**Senator MARK BISHOP**—Do you recall that a CV was provided?

**Mr Shier**—I am saying a number of CVs would have been provided, to a number of headhunters.

**Senator MARK BISHOP**—There were a number of jobs going at the time, that you had a look at. You finally settled down to have a serious go at getting the MD's job at the ABC.

**Mr Shier**—Let us be clear. I came to Australia in May of 1999, leaving my wife back in the UK, because we had taken the decision that we should return to Australia. I came back in May. I started seeing headhunters. I had a number of meetings, and one of those headhunters indicated to me that one possibility was that there would be a position at the ABC, ultimately; no more than that. From the time that that job was advertised until I was appointed in November, I was here for some six months. I went home, I think, twice to make sure that I could keep in touch with my family. I had to wait until November to know whether I had the position. I turned down positions during that period. The last position I was offered, for example, was only three weeks prior to me being offered the job at the ABC. I took the decision to turn that down in the hope that I would get the ABC position.

**Senator MARK BISHOP**—The question I am asking you is: what CV was provided to the headhunter in respect of the ABC job and was it accurate? It appears to us that the extract from the CV that is published on the ABC web site contains inaccuracies.

**Mr Shier**—You are saying that I signed in December and I joined in February, and there is two months inaccuracy there. I take on board your point.

**Senator MARK BISHOP**—No, I am saying it is more than two months. I am saying that, in terms of the previous employment, it is two years less 14 months of inaccuracy; that is 10 months. I want to know: was an accurate CV provided to the ABC or was it the apparently inaccurate CV?

**Mr Shier**—I object to the suggestion that it was inaccurate.

**Senator MARK BISHOP**—It says '1997 to 1999'. You have just advised us that you commenced work in February of 1998.

**Mr Shier**—Yes, I know. I was more than happy to answer any question I was asked by anybody during the time that I was interviewed. I did it in years.

**Senator MARK BISHOP**—And the years are wrong.

**Mr Shier**—You are arguing about two months, Senator.

**Senator MARK BISHOP**—You are saying you were working in your previous employment in 1997. I am saying you did not work in any of those months in your previous employment in 1997, that you did not commence work until February 1998.

**Mr Shier**—Yes, it should be 1998 to 1999. I am agreeing with you, Senator.

**Senator MARK BISHOP**—Okay, we have established that. How much we attach to it is a matter for value judgment of others. My question is: was an accurate CV provided to your new prospective employer, the ABC?

**Mr Shier**—Absolutely; I am sure.

**Senator MARK BISHOP**—Would you be able to provide us with a copy of that?

**Mr Shier**—It is probably on a disk. I will check. I am sure the corporation has a copy of that.

**Senator MARK BISHOP**—I would ask you to provide a copy from your own records or a copy from the ABC of the CV provided.

**Mr Shier**—I will find out what is in the ABC record and I will table that.

**Senator MARK BISHOP**—Do you regard it as a serious matter, Mr Shier—inaccurate information being provided concerning your employment history?

**Mr Shier**—No, I do not, with respect, Senator, because I was out of the country for 23 years. I could have written a seven-page CV. It is all very easy now to think that I had lots of time to explain all of this. I had, I think, four or five interviews. At the first interview, which was probably for one hour, we could have if I—

**Senator SCHACHT**—With the headhunter or the ABC?

**Mr Shier**—It was the first one, which was with the headhunter. If I had written all the details and all the positions and all the consulting I have done, then quite frankly we probably would have used 50 minutes of the hour and there would have been no discussion about the ABC, my views about how that could be done, et cetera.

**Senator MARK BISHOP**—You understand the point I am making.

**Mr Shier**—I do understand it. I am happy to clarify

**Senator SCHACHT**—You said you did four interviews with the ABC?

**Mr Shier**—It was one interview with the headhunter, one interview with a subcommittee of the board and two interviews with the board.

**Senator SCHACHT**—So it was with either the subcommittee or the board itself. In that period did you have any contact or interview or discussions with individual board members?

**Mr Shier**—Between meetings?

**Senator SCHACHT**—Between meetings and before the appointment.

**Mr Shier**—No.

**Senator SCHACHT**—You had no contact or informal discussions with any board member?

**Mr Shier**—No.

**Senator SCHACHT**—Did you have any discussion with members of parliament in that period—individual discussions, comments—during that period of interviewing, privately?

**Mr Shier**—I am sure I probably did, Senator. But if you are suggesting in relation to this position, no, I did not. I had come back. A number of people I had known in my previous life were members of the parliament so, yes, I would have in a social sense.

**Senator SCHACHT**—But they did not even know you were applying for the ABC?

**Mr Shier**—Towards the end I guess I indicated to a number of people that I was—

**Senator SCHACHT**—That you had applied.

**Mr Shier**—Yes. Please be clear. My wife is sitting in England and I am known by them to have been living in Europe for some 23 years, and I am walking around Melbourne and Sydney. It is a reasonable question for them to say, ‘What are you doing, Jonathan?’ and I guess for the first series of months when I had no idea that the ABC was a possibility I would be simply saying, ‘I’m talking about a number of positions.’ But certainly, for example, when

I had to turn down the last position, I indicated in good faith to the person who offered me that position why I turned it down, and that was because I still had not heard from the ABC.

**Senator SCHACHT**—That person, of course, was not a member of parliament.

**Mr Shier**—No.

**Senator SCHACHT**—But, in a social sense, because of your previous connections—I think there is a photograph of you with a former Liberal Prime Minister—

**Mr Shier**—A very fetching photograph, Senator.

**Senator SCHACHT**—A very fetching photograph, yes. You look younger and so does he.

**Senator FAULKNER**—We all did!

**Senator SCHACHT**—We all did, of course, including myself. But you can assure us that in those social contacts you had, in the natural course of meeting old friends, you might have let them know towards the end that you were in the running but there was no general discussion about their support or otherwise for you for the position?

**Mr Shier**—I can never know whether anyone had a favourable view of me. But the fact is no, I was not running around trying to drum up a campaign of support.

**Senator SCHACHT**—And you are not aware that any of them separately—and later on you heard—may have been putting in a plug for you?

**Mr Shier**—I have never been told that. I would like to think somebody might have occasionally, but I am not aware of it.

**Senator SCHACHT**—I have to say if Malcolm Fraser was giving you a plug, that might have done you more damage with this present Liberal government.

**Mr Shier**—He did actually go on the record recently and was not particularly supportive, Senator.

**Senator SCHACHT**—Yes, I noticed that. I thought he might be redrawing his support but, nevertheless, thank you for putting that on the record.

**Senator MARK BISHOP**—Mr Shier, in the context of the CVs that were provided by you in the discussion you and I were having, earlier today we asked for a copy of the CV provided to the board and we were told that the online CV was the one provided to the board. So in that context—

**Mr Shier**—I find that hard to believe, Senator, because—

**Senator MARK BISHOP**—That is what the ABC advised us, Mr Shier, earlier today.

**Mr Shier**—I will check that. It does not look to me as detailed as the one I would have thought the board had but I will be more than happy to check that. I will check but it may be that this is the headhunter summary of the CV that they had.

**Senator MARK BISHOP**—Fine. Mr Shier, in terms of your background, your work history there, you state 1994 to 1997 for Nethold, 1985 to 1993 for Thames TV. Is it true that you also spent 21 months between jobs from 1993 to 1994? Is that true?

**Mr Shier**—After Thames Television, Senator, I was chief executive of my own company, which was incorporated in the UK.

**Senator MARK BISHOP**—When did you leave Thames Television?

**Mr Shier**—I left them in February 1993.

**Senator MARK BISHOP**—When did you start with—

**Mr Shier**—The very same month. I had already set up my own company.

**Senator MARK BISHOP**—So you left Thames TV in February 1993?

**Mr Shier**—Yes.

**Senator MARK BISHOP**—Where did you go then?

**Mr Shier**—I ran my own business and that was incorporated in the UK. I ran it until one of my clients suggested I join them permanently.

**Senator MARK BISHOP**—So you were self-employed for how long?

**Mr Shier**—I closed down my business, which was a requirement, in October 1994 when I joined Nethold.

**Senator MARK BISHOP**—From February 1993 to October 1994 you were self-employed, for want of a better description.

**Mr Shier**—Yes.

**Senator MARK BISHOP**—What was the name of that corporation?

**Mr Shier**—Airtime Management, which was registered in the UK but also on the continent.

**Senator MARK BISHOP**—All right. Did that have any other employees?

**Mr Shier**—It had two other directors.

**Senator MARK BISHOP**—Were they also employees?

**Mr Shier**—One was.

**Senator MARK BISHOP**—A full-time employee?

**Mr Shier**—No.

**Senator MARK BISHOP**—Was that your wife?

**Mr Shier**—No.

**Senator MARK BISHOP**—What business was that in?

**Mr Shier**—My two main clients were a large French media company and a large North American media company that was interested in venturing into Europe. In one case they were interested in me joining them permanently, but I had indicated to them that I would rather, shall I say, deal with the issue that they had in hand than make a career decision to join them permanently.

**Senator MARK BISHOP**—So you characterised your employment history then as self-employment. You were the chief officer of your own privately held company. Were you in fact what we would—

**Mr Shier**—I was a consultant.

**Senator MARK BISHOP**—A consultant.

**Mr Shier**—Yes, I was; and, the record will show, a reasonably well paid consultant, Senator.

**Senator MARK BISHOP**—Fine.

**Mr Shier**—It was a quite conscious decision on my part.

**Senator MARK BISHOP**—It is always better to be well paid than not well paid.

**Mr Shier**—What I mean is, it was quite a conscious decision on my part to do it, Senator.

**Senator SCHACHT**—Unlike senators who are nowhere near as well paid as consultants.

**Senator FAULKNER**—Senator Schacht, you are paid on performance.

**Senator MARK BISHOP**—You also had a year between jobs in 1997 as well?

**Mr Shier**—It would be about nine months, Senator.

**Senator MARK BISHOP**—Nine months.

**Mr Shier**—You must understand I was chief executive of a company which was purchased by our competitor for the purposes of closing us down, Senator, because we had been singly successful in what we were doing. You will understand there was some discouragement of me immediately going to work for another company that was a competitor, but I did subsequently, after a period of time, go and work for the competitor of the company that bought us and closed us down, and that was MTG.

**Senator MARK BISHOP**—Were those periods in 1993-94 and then the nine months in 1997 of either self-employment or consultancy or non-employment, however it is characterised, disclosed on your CV to the board?

**Mr Shier**—No. I would have been happy to discuss them but it would have involved, needless to say, a discussion about yet further European companies and more involvement. I thought in the context of applying for a position at the ABC it was desirable that the CV have clarity: seven years at Scottish Television, seven years at Thames. My decision then to go to Europe and work with a number of companies, none of which was known in Australia, would have resulted in, quite frankly, a preoccupation perhaps in the interview with exactly who these companies were, what they did and all the rest. All of that I think is very positive and could have been used strongly later in the process to endorse my candidature, because they were in pay TV as well as in free TV.

**Senator MARK BISHOP**—Really, Mr Shier, that is a value judgment you have made on whether to include particulars of your employment on your CV.

**Mr Shier**—I made it clear to people that I had been a consultant. People were good enough not to ask me exactly who for in some cases.

**Senator SCHACHT**—Did you tell them you were earning good money for being a consultant?

**Mr Shier**—I make the point only, Senator, that the suggestion in the *Australian* article was that there was a period of, shall we say, unemployment between one and the other. I am making it clear that when I was a consultant it was quite a profitable venture, and in some cases it was a requirement because of constraints.

**Senator MARK BISHOP**—I am not concerned about whether you were fully rewarded or not. That is your business, not our business. What I am concerned about is the apparently deliberate decision on your part not to disclose your full employment history to your prospective employer, if I can put it in such bold terms. You explain that by saying you thought they would not have been interested or, alternatively—

**Mr Shier**—No, Senator, with respect I think they would have been interested and we could have talked about it for a long time. But the fact is that I had a process of interviews to go through and at the end of the day I did not want to clutter the entire conversation with every

client I had worked for and all the areas I had worked in in broadcasting. So my judgment call was that if I issued a seven-page CV we would use up the entire first hour going through explaining who these companies were in Europe.

**Senator MARK BISHOP**—All right.

**Mr Shier**—I must say I still get asked who the companies are and I think what is important is that my CV demonstrated clearly that I had a substantial experience in broadcasting, both in free-to-air and pay television.

**Senator MARK BISHOP**—Your CV does demonstrate that, Mr Shier. No-one argues about that. What your CV does not demonstrate is the series of lengthy absences from corporate employment, if you like.

**Mr Shier**—Yes. I do not know what conclusions I am supposed to draw from that, Senator. In one case I left Britain to go and live in Europe. I had to move my family. I worked out of Amsterdam for three years. These are not cases where you leave a position on a Monday and start at another place the following Monday and do not have to make a substantial number of arrangements to rearrange yourself.

**Senator MARK BISHOP**—That is fine, Mr Shier. I have asked the questions, you have offered an explanation. Others will take it further in other areas. Let us now turn to this discussion in this morning's, I think, *Australian* on this issue of political bias. There is a report on today's front page that you have plans to introduce right-wing commentators into the ABC to offset perceptions of left-wing bias at the ABC. Is that report in the *Australian* accurate?

**Mr Shier**—I think it is an unfortunate report, Senator, because the point I made to this—

**Senator SCHACHT**—That means you did not read the article.

**Mr Shier**—The comment I made to the *Australian* was that we have a situation where there is in some cases a perception of bias. Some people have told me that 58 per cent of people do not believe the ABC is biased and they say that solves the issue. I would have to say that number would concern me if that were correct. I am not giving any credence to the document; but, if in fact it were saying that 42 per cent of people either believe it is biased or are not sure, that I think is something that we ought to address. What I made clear when I spoke to the *Australian* is that clearly the sample or the result would suggest that amongst a group of people there is a perception. I am not saying there is bias but there is a perception.

I did not mention, for example, Mr Imre Salusinszky as being on a mission to correct that bias. I simply indicated that it is desirable that a range of views be expressed on the ABC and that, whilst I was chief executive, I would think that would be desirable. I made the comment that I had been led to believe that people's perception of Mr Salusinszky was that he would in fact express a different view.

**Senator MARK BISHOP**—Do you think that the ABC is biased towards the Left, Mr Shier?

**Mr Shier**—I have made it clear that whilst I am chief executive I do not want that accusation to be made of the ABC.

**Senator SCHACHT**—But accusations have been made—

**Mr Shier**—The accusation may be made, Senator.

**Senator SCHACHT**—But whether it is true is another question.

**Mr Shier**—I am satisfied that I have not had to have a discussion with my director of news and current affairs in relation to that issue. I believe that the current director of news and current affairs is committed to making sure that that is not the case, and I have no reason to believe that that is not the case.

**Senator MARK BISHOP**—So you do not think the ABC is biased to the Left in its news and current affairs?

**Mr Shier**—No. Put it this way: if I felt there was a problem of bias in relation to news and current affairs then I would have raised it with the director of news and current affairs, and I have not.

**Senator MARK BISHOP**—So was this comment about hiring right-wing commentators taken out of context?

**Mr Shier**—It was, indeed, Senator. It was taken out of context.

**Senator MARK BISHOP**—Could you put on the record what you did say to that reporter?

**Mr Shier**—I obviously cannot remember exactly what I said. This also attributes to me an expression, ‘Where is the right-wing Phillip Adams?’ If I am saying that, I think I am only repeating what somebody else said once before. I do not claim that as my quote. But I think that comment had been made and what I said was that that question should not be asked; there should be evidence that there is a range of opinions. I am not going to make a judgment as to where Mr Adams does or does not fit on the spectrum, but the comment was being made with a view that maybe there was in fact a restricted range of opinions.

**Senator MARK BISHOP**—Do you think there is a satisfactory range of opinions on news and current affairs on the ABC?

**Mr Shier**—I do not. That is why—

**Senator MARK BISHOP**—You do not?

**Mr Shier**—I do not. That is why I have expressed that view.

**Senator MARK BISHOP**—Where do you think it is deficient?

**Mr Shier**—I think it is hard—it has been hard—when I have asked the people in charge of editorial to give me the example of the right-wing Phillip Adams, to find an example.

**Senator MARK BISHOP**—So are you looking for a right-wing Phillip Adams?

**Mr Shier**—I am not but I am sure that those responsible for my editorial output are making sure that there is a range of views.

**Senator MARK BISHOP**—Which person here is in charge of that?

**Mr Shier**—In radio, it would be Sue Howard.

**Senator MARK BISHOP**—Okay, Ms Howard, I might ask you: in radio what deficiencies have you identified in the public comment by the ABC?

**Ms Howard**—I happen to agree with the managing director—

**Senator MARK BISHOP**—It’s good to hear that.

**Ms Howard**—that in this case we do not necessarily express as wide a range of views on, for example, Radio National, as we could. Radio National itself has identified this as an issue. The program and editorial team in Radio National have put forward a number of proposals for



new shows for the next financial year, one of which we have piloted with Mr Salusinszky, and there will be others of all sorts that I would hope we would be able to offer.

**Senator MARK BISHOP**—And what particular deficiencies have you and the Radio National team identified that you wish to remedy? Do we need more religion, more business comment, more North African comment? What is the deficiency?

**Mr Shier**—Senator, I am more than satisfied that Sue Howard can answer that. Can I have a five-minute break?

**CHAIR**—Indeed. We were hoping to break at 6.30 for dinner.

**Mr Shier**—I do not want to hold up the process. I am sure she can do it very well.

**CHAIR**—Of course, Mr Shier.

**Mr Shier**—I would be grateful. Thank you.

**Senator MARK BISHOP**—Ms Howard, what are the areas of deficiency that you will seek to remedy?

**Ms Howard**—I think it is an unfair question, if you do not mind my saying so. I think there are areas of programming that we would like to do more of. For example, we talk a lot about the importance of arts programming on Radio National. In fact, it is often a very expensive form of programming. We would like to do more of some of the arts feature programming than we do now. We would probably like to do some more business reporting other than straight finance reporting and discussion of business. We would also like to do more rural and regional programming, and we have addressed that as well.

**Senator MARK BISHOP**—Okay, but the discussion I am having with you, and I was having with Mr Shier, went to deficiencies in the breadth of your political coverage. I am asking you as the head of radio: what deficiencies have you identified that you seek to remedy in terms of your political coverage?

**Ms Howard**—If you are suggesting, Senator, that I have sat down and gone, ‘Oh, there’s not enough right-wing commentary,’ then that is not the case.

**Senator MARK BISHOP**—That is not the case? Okay, you have not come to a solution, but is there a deficiency, in your mind, in Radio National’s coverage of politics?

**Ms Howard**—No, I do not believe so.

**Senator MARK BISHOP**—You do not think so? So you do not see the need to hire perhaps a literate, intelligent, provocative commentator broadly from the Right?

**Ms Howard**—I would like to hire those sorts of people from the Right and the Left. I would like to see a greater range of voices on Radio National. That is good programming. It makes good programming sense. It makes it interesting listening for the audience.

**Senator MARK BISHOP**—Okay. Ms Marshall, you are in charge of TV, aren’t you?

**Ms Marshall**—No, new media.

**Senator GEORGE CAMPBELL**—Could I just interrupt? Ms Howard, you keep referring to Radio National, but what about the metros?

**Ms Howard**—What about them, Senator?

**Senator GEORGE CAMPBELL**—Is the perceived problem only on Radio National?

**Ms Howard**—I am not sure that there is a perceived problem, Senator, but we are looking particularly at the moment at new programs for Radio National.

**Senator GEORGE CAMPBELL**—What about the metros?

**Ms Howard**—What about them?

**Senator GEORGE CAMPBELL**—You are not looking at doing anything in that area?

**Ms Howard**—Not this year, no.

**Senator SCHACHT**—Ms Howard, I think there is a problem in regional radio. In the last 30 years that I have been involved in politics, the coalition gets an extraordinary run on regional radio because of the fact that up until the recent elections it had the majority of state and federal members of parliament in that area. When they put on ABC *Country Hour*, the 6 o'clock rural point from the local radio station, you would invariably get endless comment from the sitting National Party/Liberal Party member, and all the farmer groups that are represented. I grew up in the bush, and I very seldom heard any comments pro-Labor, project-left wing. That is a bias. I have to say with the great ABC what you pick up on the swing you lose on the merry-go-round, but if you are going to start talking about putting a right-winger on Radio National I would like to see more left-wingers on country, regional, rural radio because they really are missing.

**Mr Shier**—Senator, I would be as concerned if there were any accusation the other way.

**Senator SCHACHT**—It is. It is there.

**Mr Shier**—This is not—

**Senator SCHACHT**—There were hours and hours of these people commenting. It used to be called 'Country Party hour' for years on the ABC. I grew up in the country. I know what I am talking about.

**Mr Shier**—I think, Senator, everybody has heard your point, and I think that Sue Howard, who is responsible for local radio, will take on board your comments.

**Senator SCHACHT**—Can I just ask Ms Howard: is Phillip Adams employed because he is a left-wing commentator or because he has other skills and interests?

**Ms Howard**—He is employed because he is an intelligent, thoughtful interviewer.

**Senator SCHACHT**—Yes, and for example—

**Ms Howard**—Which is the reason why we would employ anybody, Senator.

**Senator SCHACHT**—If you are going to find some right-wing commentator, when you actually employ that person they are going to start off being considered of low quality because they were picked because they were right-wing and not because of their other interests. Is that correct?

**Ms Howard**—I find that a bizarre suggestion.

**Senator SCHACHT**—No, but that is what it is going to mean. You are suggesting now there has to be a right-winger on Radio National to balance Phillip Adams, so they are being picked for being right-wing, not for their other attributes.

**Ms Howard**—No, I am sorry, Senator, I think that is nonsense. We would pick somebody—

**Senator SCHACHT**—Oh, you are not going to do that?

**Ms Howard**—We would pick people because of other skills and talents as commentators and interviewers—

**Senator SCHACHT**—But that is not what the—

**Ms Howard**—and the managing director has already said that his comments were taken out of context.

**Senator SCHACHT**—It has only been on the front page of the *Australian*, but, okay, that is a Murdoch problem and you are blaming Murdoch for this now. Can I suggest Phillip Adams is well known as being a sceptic and a supporter of the Darwinian view of evolution. Does that mean that for balance we have to get some crackpot creationist to balance his view?

**Ms Howard**—I think you would find that creationists also were heard on the ABC, and they have the right to express whatever views they may have.

**Senator SCHACHT**—But they do not have Phillip Adams's position as a regular commentator, do they?

**Ms Howard**—I confess that I have never engaged with Mr Adams in a discussion about creationists or Darwinians, and I have no idea of his views.

**Senator MARK BISHOP**—I think we have raised the point about political bias in the ABC.

**Mr Shier**—If it is any comfort, can I just say that I did, as of three days ago, renew Mr Phillip Adams's contract. So, if that comforts you—

**Senator SCHACHT**—But the people who six months ago said that he should be sacked are no longer with the ABC, I understand.

**Senator FAULKNER**—My only thought, as an innocent bystander listening to this whole debate around the table, is: left-wing commentators, right-wing commentators—what about the third wave?

**Senator Alston**—I am sure, if there are any credible proponents of that view, that they might be given every consideration.

**Senator FAULKNER**—I am just raising the issue; I do not expect a response. I have just had drawn to my attention—I get to the newspapers very late because I am so busy at these estimates committees—an article in this morning's *Australian* newspaper headed 'Police deny pledge on ABC inquiry'. Have you seen that article, Mr Shier?

**Mr Shier**—Yes, I am familiar with the article.

**Senator FAULKNER**—I think it is in today's press.

**Mr Shier**—Yes.

**Senator FAULKNER**—It quotes Mr McDonald, the chairman of the ABC, to be fair—and thank you also for tabling those statements he made; that is helpful. This article, I think, suggests that Mr McDonald's statements about completing the AFP inquiry as expeditiously as possible, and so forth, are at odds with your own position on this matter. I do not know whether you saw that statement in the article, but I will quote:

Mr McDonald's statements are at odds with the position of Mr Shier, who has made no attempt to stop or condemn the investigation.

Is there a bit of a battle of wills going on there?

**Mr Shier**—I do not think either of us has had a difference of view on it. We would both like the matter settled as soon as possible; I think that is our position.

**Senator FAULKNER**—So there is no difference of view on this?

**Mr Shier**—No.

**Senator FAULKNER**—I was concerned when I read this article that there might be.

**Mr Shier**—No, I do not think there is a difference of opinion. I think the chairman of the ABC felt that maybe the inquiry would finish sooner, because he had had an indication that that might be the case. We both hope it finishes as soon as possible.

**Senator FAULKNER**—Did anyone check at the ABC? Perhaps you or Mr Balding might be able to answer this. As I was listening to this marvelous debate about political philosophy that we have been having for the last half hour, I just wondered whether it was possible to withdraw the ground of complaint, the complaint or the concern, if you like, that forms the basis of the AFP investigation. I just wondered whether you had checked that out.

**Mr Shier**—We asked the question, and we were advised that we did not have a right to.

**Senator FAULKNER**—Who did you ask that question of?

**Mr Shier**—The chairman of the audit subcommittee, Ross McLean, asked that of the Federal Police. I cannot remember the name of the officer.

**Senator FAULKNER**—Was that asked because the chairman of the audit subcommittee, the board, you or Mr McDonald thought this might be a possible option for you, or an option you would like to proceed with if it were possible?

**Mr Shier**—We clearly needed to know whether it was possible. I guess, if for no other reason, I would have liked to have known it for Senate estimates.

**Senator FAULKNER**—Because you thought someone might ask you?

**Mr Shier**—Indeed, and I know the answer now.

**Senator FAULKNER**—Well, you know part of the answer. Did you seek further advice on this, legal advice?

**Mr Shier**—No. The indication is that the inquiry will be brought to resolution quite quickly. I think the chairman and the other members of the audit subcommittee share that view and would like that to be the case.

**Senator FAULKNER**—Yes, I appreciate that. I think you have said that before, and I accept it. That is a different issue to seeing whether you can actually end the thing, terminate the investigation and get on with running the ABC, isn't it?

**Mr Shier**—Yes, it is.

**Senator FAULKNER**—I wondered whether that was the preferred position of the chairman, you, the board or the audit subcommittee.

**Mr Shier**—The view of the audit subcommittee was that the matter should take its course hopefully in the knowledge that that would happen quite quickly.

**Senator FAULKNER**—There is a suggestion here that you were furious about the leak. I think you have explained that.

**Mr Shier**—I am normally 'incandescent with rage', from what I read in the paper.

**Senator FAULKNER**—So you have come down a few points.

**Mr Shier**—Yes, on the adjectives.

**Senator FAULKNER**—I think you have explained before what your approach was; I was not going to concentrate on that. It is just that it goes on to suggest that you were furious about the leak and so forth and that the subsequent ‘witch-hunt’—read for that I think AFP investigation, I interpolate—contributed to the sacking of human resources director, Jacqui Hutchinson’.

**Mr Shier**—I put on the record clearly: that is not the reason.

**Senator FAULKNER**—I was just going to say I would like to receive an assurance from you that these two issues are not linked.

**Mr Shier**—I wrote to the *Age* newspaper only three days ago, because they made a number of assertions as to why Jacqui Hutchinson was leaving the corporation. I wrote a letter to the editor, which was published, indicating that their assertions were wrong. This one is equally wrong. The reason why Jacqui is leaving is a matter that she has discussed with me; she will decide who else she wants to discuss it with. It has nothing to do with the suggestion—on my part—that she in any way is involved in the leaking of this information.

**Senator FAULKNER**—You may not be in the best position to answer this question, Mr Shier—and I will understand if that is the case—but I am sure one of your officers will be able to: in relation to the appointment of the managing director, as I understand it, either the board, the chairman of the board or the corporation itself hired a consultant to assist with the appointment. This consultant, as I understand it, was a Mr Martin Debelle, a communications consultant I think.

**Mr Shier**—Sorry, you have lost me.

**Senator FAULKNER**—I am saying that you may not be aware of it.

**Mr Shier**—In relation to the announcement of the appointment?

**Senator FAULKNER**—I was not sure. I was going to ask you for the detail of that. I did not know what the role was, but I do believe that the consultant concerned, Mr Debelle, is a communications consultant.

**Mr Shier**—He is indeed.

**Senator FAULKNER**—Could you just let me know what the nature of that consultancy is?

**Mr Shier**—As I understand, Mr Debelle was appointed by the chairman, prior to my appointment, to handle press inquiries in relation to the appointment of the managing director of the ABC. There may be other matters; the chairman could tell you that. Mr Debelle performed that role for the chairman and, as I understand it, does not any more perform that role.

**Senator FAULKNER**—Sure, I appreciate that. I said that you may not be in the best position to answer this because it obviously, to some extent, predates or I thought it may have predated your coming on board. I stress with you again: it is a bit difficult to ask the chairman as he is not here. So I can only direct it to officers at the table. He was a consultant hired by the chairman. Was there some form of tendering process for this consultancy? Again, I do not expect you necessarily to answer this.

**Mr Shier**—Unless anyone else, like Mr Balding, can comment, I do not know what took place. It all predates my arrival at the ABC.

**Senator FAULKNER**—Yes, and I appreciate that. I did, I think, qualify what I said before by understanding and accepting that.

**Mr Balding**—I am aware that a media person was engaged; I am not aware of the process. I am not aware of whether it went out to tender or expressions of interest were called. That was handled through the chairman's office.

**Senator FAULKNER**—He was hired by Mr McDonald, I think Mr Shier said. But you cannot assist me with how the hiring process occurred?

**Mr Balding**—No, it was handled through the chairman's office. What I can categorically say is that it was not handled through my office.

**Senator FAULKNER**—Yes, thank you.

**Senator SCHACHT**—Was the cheque for payment sent from your office?

**Mr Balding**—Not from my office, no; probably from my division, but not from my office.

**Senator FAULKNER**—What was the cheque for payment?

**Mr Balding**—I do not know. I can take that on notice.

**Senator FAULKNER**—Could you take on notice then, please, in these circumstances the nature of the appointment process? This is a consultancy, I assume. Would that be fair? Is it a contract or a consultancy?

**Mr Balding**—You would probably regard it as a contract.

**Senator FAULKNER**—In relation to this contract, could you find out for us what the cost of the contract was? Could you also find out the nature of the process that went to the letting and signing of the contract?

**Mr Balding**—Yes.

**Senator FAULKNER**—Thank you very much. Can you assist me with the actual role that Mr DeBelle fulfilled? Did he put out a press release announcing Mr Shier's appointment? Fair enough, obviously he would, but what else was involved? Was there any advisory role in the appointment process, for example? Can anyone assist me with this?

**Mr Shier**—I am not sure I can help you specifically, but it was clearly spelled out to me that Mr DeBelle's job was to handle press inquiries in relation to the appointment of the new managing director of the ABC. I do not know when that period started, but it well predates the actual appointment date. He worked for a period after that but then ceased, as I understand, his advice to the corporation. So he was purely the vehicle by which the chairman was able to handle queries and questions.

**Senator FAULKNER**—Could you also take on notice those key dates in relation to Mr DeBelle's contract?

**Mr Balding**—Yes, certainly.

**Senator FAULKNER**—I do not want a thesis on this, but could you just note for the information of the committee the role and function that was involved?

**Mr Balding**—The terms and the conditions of the contract?

**Senator FAULKNER**—Yes, thank you. Could you tell me whether the chairman went outside the ABC corporate affairs structure to hire Mr DeBelle? Do we know that?

**Mr Balding**—Sorry, I do not.

**Mr Shier**—It predates me.

**Senator FAULKNER**—You do not know that, Mr Balding?

**Mr Balding**—No, I do not. I only know that it comes back to the method of procuring the service—

**Senator FAULKNER**—But is there anyone here from corporate affairs who could assist us on this?

**Mr Shier**—There is not today. We bat a pretty full team, but no, not today.

**Senator FAULKNER**—It is a very small team, which may well have been a wise thing to do, for all I know.

**Senator SCHACHT**—The corporate affairs manager is not here?

**Mr Shier**—No.

**Senator FAULKNER**—Given that there have been discussions of CVs earlier on, are we aware of Mr Debelle's background to be able to fulfil this role?

**Mr Balding**—I am personally not aware of it, but again I am quite happy to take it on notice.

**Senator FAULKNER**—You might let me know what it is. I would appreciate that.

**Senator SCHACHT**—Did you ever see Mr Debelle around the ABC?

**Mr Shier**—I am sorry?

**Senator SCHACHT**—Mr Balding, at the time—

**Mr Balding**—No, I did not.

**Senator SCHACHT**—You never met him in the corridors? Did he have an office?

**Mr Balding**—No. I believe he was working off site.

**Senator SCHACHT**—Off site?

**Mr Balding**—Yes.

**Senator FAULKNER**—It would be hard to handle media inquiries if he were off site. Wouldn't they go on site?

**Mr Balding**—No. There was a telephone number that you would contact Mr Debelle through. Look, I stand to be corrected there. I am not aware that he had an office in the ABC.

**Senator SCHACHT**—Did he have access to any of the ABC resources such as printers, paper, mobile phone?

**Mr Balding**—I doubt it. If you engage a contractor to carry out a service, one would assume that they have their own resources.

**Senator SCHACHT**—But you do not have a contract for us to show us that. What happened to all the ABC corporate area where they have their own press secretaries and other ABC staff? Presumably the ABC has plenty of skilled people who know how to write a press release. What happened to all of those people at the time of the appointment? Were they on leave?

**Mr Shier**—There was a lot of annoyance, I think, that until the announcement was made as to who was appointed, the—shall we say—information did not leak. You have made a lot of points; I think you said that the corporation leaks like a sieve.

**Senator SCHACHT**—It is part of the institutional structure.

**Mr Shier**—I hope that is not the case. But if it were the case, I would understand why the chairman would use somebody else.

**Senator SCHACHT**—Mr Balding, that was the view of the chairman: to stop the leaking of it prior to the announcement.

**Mr Balding**—I am not aware of the chairman's motives, I am sorry.

**Senator SCHACHT**—You are not either, Mr Shier?

**Mr Shier**—No, I am not aware of his motives, but I would understand if that were the reason he did it.

**Senator SCHACHT**—Not a very nice description of the professionalism of the ABC corporate affairs section, is it—that they lack that professionalism in that they cannot be trusted with a statement?

**Mr Shier**—I think it would have put them in a difficult position.

**Senator SCHACHT**—Pardon?

**Mr Shier**—I think it would have put them in a difficult position.

**Senator SCHACHT**—In what way? They would be expected to leak it, you are telling me?

**Mr Shier**—No, but it is difficult for a member of staff who may, for example, definitely know a piece of information—

**Senator SCHACHT**—Oh, come on, Mr Shier.

**Mr Shier**—Anyway, I am not going to pursue it. It was somebody else's judgment and, at the end of the day, so be it.

**Senator FAULKNER**—All I am trying to establish here are the details of the contractual arrangement that the ABC came to. But I am interested in understanding whether you had some formal meetings with him, and so forth, to try and work through this. I assume that you would need to.

**Mr Shier**—I met Mr DeBelle on the day of the announcement of my appointment, and I met him—

**Senator FAULKNER**—Yes, and he had been appointed by then. He had this contract—

**Mr Shier**—He obviously had been because I was introduced to him.

**Senator SCHACHT**—He had been working for some time in preparation for the big day.

**Mr Shier**—I presume so.

**Senator FAULKNER**—We will find that out, I suppose.

**Mr Shier**—And I met him on the day.

**Senator FAULKNER**—You had not met him before?

**Mr Shier**—I never met him before, no.

**Senator FAULKNER**—He handled the media from that point onwards?

**Mr Shier**—For a number of weeks.



**Senator FAULKNER**—I just could not quite understand how this worked with your own media unit. You might know this, Mr Balding: how did you handle this internally?

**Mr Balding**—I believe it worked independently of the media unit. I believe the media were informed that any inquiries relating to the appointment or the process of appointing the managing director should be directed to this person in question.

**Senator FAULKNER**—So let's say the media unit got a call from some media outlet or other; they would be directed to Mr Debelle.

**Mr Balding**—They would refer the inquiry to Mr Debelle.

**Senator SCHACHT**—Mr Debelle's telephone number.

**Mr Balding**—Correct.

**Senator FAULKNER**—I would be interested in some of these details and we might chase it down at a later stage, but if you could take those questions on notice—

**Mr Balding**—We will take that on notice for you.

**Senator SCHACHT**—Mr Shier, did Mr Debelle on the day give you any advice as to how you were to handle yourself at the press conference announcing your appointment?

**Mr Shier**—I think it is fair to say that he ran through with me the likely types of questions I would be asked and what would be of interest to the people.

**Senator SCHACHT**—Were any of those suggestions a surprise to you, or had you already anticipated them, being a well-rounded media person yourself?

**Mr Shier**—No, I had been on a bit of a trip, so perhaps some of them surprised me, like my exact view on certain sporting performances and things like that.

**Senator SCHACHT**—Things like how you should dress and the tie to wear?

**Senator FERRIS**—What on earth has this got to do with estimates!

**Senator SCHACHT**—This is what Mr Debelle was paid for, apparently.

**Mr Shier**—If there was any error in that area, that was my judgment.

**Senator SCHACHT**—I see, fine.

**Senator FAULKNER**—Could I ask another question which goes to a question on notice that was placed by Senator Brown, question No. 3110? It basically went to your package. I do not know whether you recall this, Mr Shier: Senator Brown asked a question about your salary package.

**Mr Shier**—Yes, I remember the question.

**Senator FAULKNER**—I suppose it was Senator Alston's answer to the question I was going to direct myself to. I just wondered in a general sense, first of all, whether the information that was provided then to Senator Brown—whose question on notice was dated 13 October 2000—is still as was outlined in that answer, or whether there had been any changes. I am not sure whether I should ask you or Mr Balding this question.

**Mr Shier**—I think there is only one change that may have occurred there, if I remember: I now have the car that was going to be bought. But I am happy to check that answer and verify that it is the current situation.

**Senator FAULKNER**—Some of it clearly would not change. It describes your base salary, \$169,900, as set by the Remuneration Tribunal. That obviously would not change. That would be right, Mr Balding, would it not?

**Mr Balding**—I believe that is still current, yes.

**Senator FAULKNER**—A personal loading of 15 per cent, which is \$25,485. That is set by the Remuneration Tribunal. That would not have changed?

**Mr Balding**—I understand that is still current.

**Senator FAULKNER**—There is a living allowance of \$70,710. That is determined by the ABC board under provision of the Australian Broadcasting Corporation Act. Is that still the same?

**Mr Balding**—I believe that is still current.

**Senator FAULKNER**—Which gives a total package in that area of \$266,095. Thanks for confirming that. Senator Alston's answer to the question goes on to talk about certain additions. The contract includes provisions for a motor vehicle. I think you have indicated that that has probably now been provided. Is that right, Mr Shier?

**Mr Shier**—Yes, Senator.

**Senator FAULKNER**—Could you just let us know what you managed to score?

**Mr Shier**—It is a very well-known now green Cherokee Jeep, Senator.

**Senator SCHACHT**—A Toorak tractor for the Sydney suburbs.

**Senator Alston**—Are you running with that one this time around?

**Senator SCHACHT**—We can run with anything and will beat you in a landslide.

**Senator Alston**—That's what we like to hear, a high degree of overconfidence!

**Senator FAULKNER**—It may be well known, Mr Shier. I didn't know, but fair enough. It also talks about superannuation contributions. Mr Balding, can you provide any more detail in relation to that?

**Mr Balding**—Mr Shier might be able to also, but at this stage Mr Shier is not contributing to the superannuation to which he will be entitled. That is around about 13½ per cent of his superable salary. What the corporation is doing, pending Mr Shier making a decision as to his superannuation, is taking out the minimum superannuation, the productivity superannuation, which I think is about eight per cent now, and forwarding it on to AGEST Super. It is the guaranteed superannuation.

**Mr Shier**—Senator, the reason for that, just so we are clear, is the transfer of my UK based pension to Australia is a more complicated matter than I think we want to go into today and—

**Senator FAULKNER**—I do not want to go into that, I am just trying to get a feel for this, just following on the question on notice. It says contribution towards health insurance. How does that work? Can you just let us know that, Mr Balding?

**Mr Balding**—It is paid fortnightly, Senator.

**Senator FAULKNER**—Is there a dollar figure for that?

**Mr Balding**—Is it in the contract?

**Senator FAULKNER**—No. Well, I do not doubt that it is in the contract but it is not in the answer.

**Mr Balding**—I can find that out, Senator.

**Senator FAULKNER**—Okay. Then it says ‘Annual subscriptions’. Let me just say this to you, Mr Balding: it is one of these questions where the answer begs more questions than it actually answers. Anyway, it says ‘Annual subscriptions.’ What does that mean?

**Mr Balding**—Senator, I did not draw up the contract but one would presume that ‘Annual subscriptions’ would be in some way related to the performance of the managing director’s functions.

**Senator FAULKNER**—Yes, but I am just asking what the annual subscriptions are to.

**Mr Balding**—I am not aware of that.

**Mr Shier**—Thank you for trying to deal with it. The fact is that I have an amount of money available to do a number of things, and one of them is subscriptions, and for example I could, should I wish to, join a club or a society or something like that appropriate to—

**Senator FAULKNER**—Or, I assume, subscribe to a journal or something like that?

**Mr Shier**—Indeed.

**Senator FAULKNER**—Do we know what that figure is?

**Mr Shier**—There is a cap figure in the contract of \$60,000.

**Senator FAULKNER**—\$60,000!

**Mr Shier**—No, as one of the items—there is a series of items, the total of which must not exceed \$60,000.

**Senator FAULKNER**—And one of those items is ‘Annual subscriptions’?

**Mr Shier**—Absolutely. So it does not have its own price next to it.

**Senator FAULKNER**—I understand. And would that include health insurance, too?

**Mr Shier**—It does indeed, Senator.

**Senator FAULKNER**—Yes, okay. You might be able to take on notice, Mr Balding, which of these particular elements come in within the cap figure. That is the sort of information it probably would have been useful to put in the original answer.

**Mr Balding**—I can do that for you, Senator.

**Senator FAULKNER**—That would have saved us all a few minutes but, anyway, that is fine. Unless, do you know, Mr Shier, which of those particular elements come under that figure?

**Mr Shier**—I think it is fair to say I have not used up my entitlement yet, Senator, but I will focus on that now.

**CHAIR**—Senator Faulkner, Senator Ferris has some questions that she would like to ask.

**Senator FAULKNER**—Yes, well, I am just in the middle of this.

**CHAIR**—She has to go to another committee, and you have the facility to continue afterwards. I would like to—

**Senator FAULKNER**—She is what, sorry?

**CHAIR**—You have the facility to continue on. I would like to let Senator Ferris just ask her questions.

**Senator FAULKNER**—I think it would be in everyone's interests if I did not continue on after dinner and actually—

**CHAIR**—Senator Ferris cannot come back after dinner, so I am going to let her have the floor and ask her questions.

**Senator FAULKNER**—That seems to me a bit silly in the middle of these questions.

**CHAIR**—You have had a long run at this.

**Senator FAULKNER**—Yes, that is right, and I am in the middle of a line of questioning which I will be completing fairly soon.

**CHAIR**—I am now handing over to Senator Ferris.

**Senator FAULKNER**—I promise you, if I come back after dinner it will be a long night, so that is a matter for you.

**CHAIR**—It will go until 11 o'clock, Senator Faulkner, when it finishes. So let's let Senator Ferris ask her questions, because she has some issues that are important to her that she wants to get through.

**Senator FAULKNER**—I would like to finish my questions.

**CHAIR**—I have just said that I am giving Senator Ferris a go—

**Senator FERRIS**—You will have the opportunity to finish them when I am not able to be here, Senator.

**CHAIR**—You have had a very long run. So we are now handing over to Senator Ferris.

**Senator FAULKNER**—It is not a very wise decision.

**Senator FERRIS**—I have been sitting here patiently since 2 o'clock and I want an opportunity to—

**Senator FAULKNER**—Well, you may be, but I am in the middle of a line of questioning and I would like to complete it.

**CHAIR**—Senator Faulkner, I am the chairman, and I am—

**Senator FAULKNER**—You are. You're not a very good one, but you are the chairman.

**CHAIR**—Well, that is a matter of opinion, I know. Some people think that I am a terrible chairman, but I am handing over to Senator Ferris—

**Senator FERRIS**—Thank you, Chair.

**CHAIR**—because she has a few questions she wishes to ask.

**Senator FAULKNER**—Really! Well, I am going to ask my questions.

**Senator FERRIS**—Thank you.

**Senator FAULKNER**—I wanted to know about the—

**Senator FERRIS**—Thank you, Chair.

**Senator FAULKNER**—I would like to know about the—

**Senator FERRIS**—I would like to ask some questions relating to—

**Senator FAULKNER**—Well, I would like to know about telephones, whether they—

**Senator FERRIS**—policy. Senator Faulkner—

**Senator FAULKNER**—are included in the cap or not.

**Senator FERRIS**—This is the kind of bullying that I have to put up with—

**Senator FAULKNER**—No, I would just like to finish my questions.

**Senator FERRIS**—on Electoral Matters, and I am sick and tired of it.

**Senator FAULKNER**—I would like—I

**Senator FERRIS**—And I would really like the opportunity to ask some questions about radio policy.

**CHAIR**—We have 20 minutes until dinner and Senator Ferris has some questions she would like to ask.

**Senator FAULKNER**—What time is the dinner break going to be? I am in the middle of a question.

**Senator FERRIS**—You are not in the middle of a question.

**CHAIR**—Senator Faulkner, you have had a run for several hours. Senator Ferris—

**Senator FAULKNER**—You can't interrupt people in the middle of a question, Mr Chairman. Don't be absurd.

**CHAIR**—You can follow on quite easily.

**Senator FAULKNER**—What time are you having the dinner break?

**CHAIR**—At 6.30.

**Senator FAULKNER**—Oh, really?

**CHAIR**—And by then Senator Ferris will have finished and you can continue.

**Senator FAULKNER**—Yes, well, if you will allow me—

**Senator FERRIS**—Thank you very much for the indulgence, Chair.

**Senator FAULKNER**—five minutes, I will have finished, too.

**Senator FERRIS**—I would like to ask some questions—

**CHAIR**—We will proceed.

**Senator FERRIS**—about regional radio to Ms Howard, please. I asked you a couple of questions related to this during the last estimates, and I wonder if you could update me, please, on the plans that you outlined at that time for an expansion of regional services. Are you able to do that for us now?

**Senator FAULKNER**—You're a real dill—a real dill.

**CHAIR**—That is okay. Thank you.

**Senator FERRIS**—I am sorry if you could not hear the question.

**Senator Alston**—Just keep your comments for outside, if you would. Otherwise we might—

**Senator FERRIS**—We will just let these boys get out of their—

**Senator Alston**—ensure that that remark about, 'You're a real dill' goes onto the *Hansard* record.

**Senator FAULKNER**—Well, it does now, thanks to you!

**Senator Alston**—Right.

**CHAIR**—I can cope. Senator Ferris.

**Senator FERRIS**—Thank you very much, Chair. I appreciate your assistance here. I have some questions that I would like to ask Ms Howard related to regional radio. They follow on from questions that I raised with you during our last estimates period about the expansion of regional services that I believe you outlined to us during the last estimates that you were planning to put in place. Are you able to give us any more detail on that now, please.

**Ms Howard**—As I remember, Senator, you asked whether regional stations were going to be closed and that had been raised in a number of areas, and we were able to confirm that, no, they were not going to be closed, and in fact we had in the last year or so refurbished and reopened a number of regional stations—Kalgoorlie and Bunbury and Rockhampton and a couple of others. We did say at the time, I think, that we hoped it would be possible to get funding to enable us to employ extra staff in regional stations, which is clearly of benefit to both us and local communities. That would rely on a new budget round and new finance. At this stage there are no new staff going into regional areas.

**Senator FERRIS**—Chair, I am having a great deal of difficulty hearing Ms Howard's answer to my question because of the sounds that are coming from the other side of the room. Is it possible for a little good manners to be afforded to Ms Howard so she can answer the question? Thank you.

**Senator SCHACHT**—We cannot hear your question, actually.

**Senator Alston**—That is because you were talking.

**Ms Howard**—So that, Senator, while we may not be expanding, we are certainly not reducing any of our regional radio services at this stage.

**Senator FERRIS**—What about networking? Has there been any change in the networking arrangements in relation to any of the states?

**Ms Howard**—Over the last 18 months we have done two things: we have reduced the amount of national networking on local radio across the country and we have moved some programs or parts of programs which have been in places like Sydney to other areas. For example, the weekend late night program which was staffed out of both Sydney and other places is now out of Albany in Western Australia.

**CHAIR**—Could you just speak up a little, please, Ms Howard.

**Ms Howard**—I am sorry, Senator.

**Senator FERRIS**—Well, Chair, Ms Howard would not need to speak up if Senator Schacht, Senator Faulkner and Senator George Campbell were not consistently and rudely talking over the top of her while she is trying to answer the question. I find it really difficult to hear, and I am directly in line with her. Please continue.

**Ms Howard**—Other than that, yes, we have reduced the amount of national networking. We have returned programs to the states.

**Senator Alston**—Senator Faulkner, if we are going to have this sort of behaviour, this committee will not resume again, full stop—there will be no public servants attending, full stop. It is a deliberate strategy on your part and you know it and we all know it. It is a tactic you get away with in the chamber more often than you should, and you should at least have the courtesy to allow the other side to ask a few questions in relative silence.

**Senator FAULKNER**—She can ask what she likes.

**Senator Alston**—They have been sitting here mesmerised by your long questioning for hours. No-one has been interrupting you. You are suddenly embarking on a deliberate strategy of distracting—

**Senator FAULKNER**—My suggestion would have been to allow the ABC to—

**Senator Alston**—Get on with it.

**Senator FAULKNER**—be released at 6.30 at the dinner break. But you have ensured that will not happen. It is not a very—

**Senator Alston**—Senator Ferris has questions—

**Senator FERRIS**—That was based on your assumption that no-one else would have the temerity to ask a question.

**CHAIR**—We are just giving her an opportunity to do that.

**Senator FAULKNER**—Do what you like.

**CHAIR**—All right. Senator Ferris—

**Senator FAULKNER**—It is normally—

**CHAIR**—Senator Faulkner, we are not discussing this any more.

**Senator FERRIS**—This is just a revisiting of your bullying on all the other committees that you are on.

**Senator FAULKNER**—not done to interrupt, whoever they might be, in the middle of a question.

**CHAIR**—We are not getting into a debate, Senator Faulkner.

**Senator Alston**—If that were truly the case, one senator could occupy the whole day, and that cannot be right.

**CHAIR**—Senator Ferris can ask her question and we can come back to you—

**Senator FAULKNER**—What, one question!

**CHAIR**—and you can continue. Let us not debate this, please.

**Senator Alston**—Not one question. You are in the middle of a series of literally hundreds of questions.

**Senator FAULKNER**—I was just asking a question about a question on notice, as you are aware.

**CHAIR**—With respect, let us not debate it. Let us get Senator Ferris's questions done.

**Senator FERRIS**—Thank you very much.

**Senator FAULKNER**—But if you want to come back, you can come back.

**CHAIR**—We will. Don't you worry, Senator Faulkner, we are quite happy to accommodate you.

**Senator FERRIS**—Can you give me any idea of the number of hours of broadcasting in the regional areas that have been decentralised from Ultimo?

**Ms Howard**—I could not give you the exact number of hours. I am happy to take that on notice. We have managed to decentralise at least two programs over the last year or so.

**Senator FERRIS**—I want to ask some questions about the ABC shops. You will recall that I asked during the last estimates about the new method of marketing ABC goods and services through the ABC shops. You told me you were looking at new ways of opening shops within other stores

**Mr Shier**—Yes.

**Senator FERRIS**—Can you update me on any changes to the marketing arrangements through the ABC stores?

**Mr Shier**—I think we have 85 in-store shops at the moment. That adds onto, I think, 35 main retail outlets that we have. We do not obviously make the same margin on those units within other shops, but it does mean that the ABC product gets across a much larger geographical area.

**Senator FERRIS**—Can you give me any idea of the balance sheet of those shops? How has the overall managing and marketing of ABC shops gone in terms of profitability?

**Mr Shier**—I would like to take it on notice, assuming that it is not in confidence.

**Senator FERRIS**—I did ask you about it last time and I do not have the figures in front of me.

**Mr Shier**—Yes, indeed.

**Senator FERRIS**—Would you like to take it on notice?

**Mr Shier**—I would like to, because if you ask me about the profitability of the shops, that does go to issues like what we are paying in rentals for those shops and other issues.

**Senator FERRIS**—Yes. The other question that follows on from a question I asked you—I can understand you are having difficulty hearing because once again it is impossible for me to hear what you are saying because of Senator Schacht, Senator Faulkner and Senator George Campbell rudely continuing to talk while you are speaking. I asked you a number of questions—

**Senator TCHEN**—Mr Chairman, I am sorry to do this, but I am after all a full member of this committee. I sympathise with Senator Ferris. Senator Schacht's and Senator Faulkner's behaviour is beyond the pale. I understand Senator Faulkner is upset because he has been interrupted, but he has been asking Mr Shier about his personal contract. Unless he wants to suggest there is something illegal in it, Senator Ferris is asking a question about ABC services which should be of interest to people.

**CHAIR**—Let us not debate this.

**Senator TCHEN**—You should hold your conversation—

**Senator Alston**—The issue is whether this is a forum for your exclusive preserve or whether other members of the committee are actually entitled to ask questions.

**Senator FAULKNER**—They are, of course they are.

**Senator Alston**—And the answer is the latter, and therefore they should be allowed to ask them in relative silence.

**Senator FERRIS**—Thank you, Minister.

**Senator Alston**—You know that. You have been accorded sufficient respect and you should give it to others.



**Senator FAULKNER**—Let us finish before you interrupt us. That is what you would normally do, wouldn't you, even you?

**Senator Alston**—With your chamber thuggery, you get away with blue murder. You should not be allowed to get away with it here.

**Senator FERRIS**—He was born a bully. I was attempting to ask you questions related to the film archives.

**Mr Shier**—Yes.

**Senator FERRIS**—I asked you a couple of questions about this during the last estimates. You talked about a plan that you had to change the way the film archives are stored and to also try to put a commercial value on them and make them more available for use by other agencies.

**Mr Shier**—Yes.

**Senator FERRIS**—Are you able to update us on how that has been done?

**Mr Shier**—Only that we have not valued it in terms of if we digitise it what it will be worth. My director of new media may like to comment on the digitisation of the archives.

**Ms Marshall**—I would like to add, Jonathan, that the director of content rights and the content rights division are working towards the digitisation of the archive so we can make it available more efficiently and effectively than it is now. That process is going to take some time, I think, as funding allows.

**Mr Shier**—The problem is, Senator, we do not have enough money ourselves to do the exercise ourselves. So the issue becomes what will be the relationship we have with another party to perhaps do that and then work out how the revenue streams flow as a consequence when we make the archive available to other parties.

**Senator FERRIS**—One of the things you mentioned during our last discussion about this was the concern you had about the way in which these old films were being stored. Have you changed the method of storage, or can you assure us that they are being stored in a way in which they will not deteriorate?

**Mr Shier**—The points you made last time were taken on board. I must admit I have not done an update to establish it, but clearly a situation which was unacceptable before I think has been corrected.

**Senator FERRIS**—I would appreciate if you could take it on notice, if there was anything to raise on that.

**Mr Shier**—I will, indeed.

**Senator FERRIS**—Thank you very much, Chair. I do appreciate your assistance in asking those questions.

**CHAIR**—Senator Faulkner, we are back to you.

**Senator FAULKNER**—I was in the middle of my sentence about telephones. You may prefer me to ask the question again. I wondered whether the telephones were in that \$60,000 cap.

**Mr Balding**—It is, Senator.

**Senator FAULKNER**—Thank you, Mr Balding. Is media monitoring equipment also in the \$60,000 cap?

**Mr Shier**—No, it is not, Senator. I do not think the telephone is either.

**Mr Balding**—I may be able to help the situation.

**Mr Shier**—We are talking about my home telephone, not a mobile. There is a reimbursement.

**Senator FAULKNER**—I am referring to question number 3110. There is a lack of detail there and that is why I am asking.

**Mr Balding**—Senator, there was a follow-up question from Senator Bishop in relation to these details. We have answered those just recently. I am quite happy to provide you with those.

**Senator FAULKNER**—Yes, if you could pass them across the table. Do you have that with you, Senator Bishop? I will have a look at that. What is the media monitoring equipment? Is that outlined in Senator Bishop's—

**Mr Balding**—No, it is not. It is outside the total remuneration package. It is document 89.

**Senator FAULKNER**—What is the media monitoring equipment?

**Mr Shier**—I think it is an expression to encompass a television, a video, no doubt a digital decoder—I do not have two of those items—and also radio recording equipment.

**Senator FAULKNER**—That is leased and placed in your residence, is it? Is that what we mean by this?

**Mr Shier**—No, it is bought, generally, except for the Foxtel decoder range, which is a lease arrangement.

**Senator FAULKNER**—Can that be disaggregated and costed for the benefit of the committee, please, Mr Balding?

**Mr Balding**—Yes, Senator.

**Senator FAULKNER**—I do not want to delay us tonight. I would appreciate that.

**Mr Balding**—Senator, can I just say also, I do not know to what extent that has occurred but when it does occur, they remain the assets of the ABC.

**Senator FAULKNER**—Sure.

**Mr Shier**—I have not yet bought the television.

**Senator FAULKNER**—I was not suggesting for one minute that Mr Shier was going to—

**Senator SCHACHT**—Do a runner.

**Senator FAULKNER**—flit off and do a runner with a video recorder.

**Mr Shier**—I have not bought the television yet, though, Senator. You have reminded me that I must do so. I have been using a good, healthy old one that gives a very good picture.

**Senator FAULKNER**—Black and white?

**Mr Shier**—It is a bit beyond that.

**Senator FAULKNER**—I am trying to check on this answer to Senator Bishop's supplementary question:

The managing director may also receive performance remuneration if so assessed by the board up to a maximum level of \$20,000 per annum set by the Remuneration Tribunal.

Has that been determined by the board?

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**Mr Shier**—As I understand, Senator, the decision will be taken at the end of my first year in office.

**Senator SCHACHT**—That will be decided by the audit committee of the board?

**Mr Shier**—There is a remuneration—

**Senator SCHACHT**—It goes to a remuneration tribunal?

**Mr Balding**—No.

**Senator SCHACHT**—Sorry, the remuneration committee of the board.

**Senator FAULKNER**—Thanks for that. If those matters could be quantified in answers on notice, I would appreciate that. That would be very helpful. Very briefly, do any of the other senior managers have allowance vehicles like the Jeep Cherokee? Is that a common thing? I was not aware that you had a green Jeep Cherokee, Mr Shier, as I said.

**Mr Shier**—It is just that—

**Senator FAULKNER**—It is famous, is it?

**Mr Shier**—Yes. We tend to specialise in Land Rovers.

**Senator FAULKNER**—In what?

**Mr Shier**—We tend to specialise in Land Rovers, I think.

**Senator SCHACHT**—Range Rovers?

**Mr Shier**—No, Land Rovers.

**Senator SCHACHT**—Land Rovers from the 50s? Range Rovers or Land Rovers?

**Mr Shier**—No, Land Rovers. Without going through the entire table in front of you, Senator, it is fair to say that we have a range of cars and that a number of the executives have four-wheel drive cars.

**Senator GEORGE CAMPBELL**—Are these executives that reside in metropolitan areas?

**Senator SCHACHT**—Are the roads in Sydney that bad?

**Mr Shier**—Yes, they do, but we encourage them to go to the country as much as possible.

**Senator FAULKNER**—How many directors have four-wheel drive vehicles?

**Mr Shier**—I would have to get the number. I think there are three at this table.

**Senator SCHACHT**—You advise them to go to the country. You are not advising them to go west of Innamincka, are you? When they go to the country I presume they are on business.

**Senator FAULKNER**—I assume they are not going off-road.

**Senator SCHACHT**—They are going on bitumen roads to Wagga and Albury, et cetera, aren't they?

**Senator GEORGE CAMPBELL**—Wouldn't it be simpler for them to fly?

**Senator FAULKNER**—It would have been cheaper to get an ordinary old car and a road map. So at this table you have got three senior officers with four-wheel drives. How many managers have you got in the ABC?

**Mr Shier**—We agreed there were 166 earlier, Senator.

**Senator FAULKNER**—How many of those would be eligible for a vehicle as part of their package?

**Mr Balding**—As I said a bit earlier, there are 263 senior executive FTEs as at the end of January, early February. Of that, those SEs in the range of 0.5 to 19 points are eligible for a vehicle in their remuneration package.

**Senator FAULKNER**—How many of those are there?

**Mr Balding**—One hundred and eighty three.

**Senator FAULKNER**—There are 183 eligible for a vehicle?

**Mr Balding**—Correct, as part of their remuneration package.

**Senator FAULKNER**—Have all 183 got a vehicle?

**Mr Balding**—No, I do not believe so. A number have elected to take the value of that vehicle as cash.

**Senator FAULKNER**—Could you give me the figures for those of the 183 who have cashed out? I do not expect you to know it now.

**Mr Balding**—I can take it on notice.

**Senator FAULKNER**—Yes, I appreciate that. Of the remainder, can you tell me how many have four-wheel drive vehicles?

**Mr Balding**—I can, Senator, on notice.

**Senator FAULKNER**—You do not know at the moment?

**Mr Balding**—No.

**Senator FAULKNER**—It seems to be pretty common.

**Mr Shier**—It is not uncommon.

**Senator FAULKNER**—No, I gathered that, judging by the sample at the table.

**Senator SCHACHT**—Anecdotally, they all drive to the country for ABC meetings.

**Mr Shier**—No, but it would be desirable that we did more of that, Senator.

**Senator FAULKNER**—Yes, but not off-road, surely.

**Mr Shier**—This has got potential—

**Senator SCHACHT**—When you go to Albury you go over the top of Mount Kosciuszko, do you, rather than down the Hume Freeway?

**Mr Shier**—I think the key issue is what the cost is to the corporation of people driving the cars.

**Senator FAULKNER**—If you could take that on notice too I would appreciate it, thank you. How many ABC managers or senior executives apart from yourself, Mr Shier, would have addressed the ABC board in the last six months?

**Mr Shier**—Just going around this table, you have done it once, you have done it three times, you have done it every time bar one, you have done it once, and you have not done it yet.

**Senator FAULKNER**—So it is a reasonably common practice?

**Mr Shier**—It is not an uncommon practice.

**Senator FAULKNER**—Has it occurred in this calendar year?

**Mr Shier**—Yes. At the last board meeting, for example, my two colleagues on my extreme left both presented to the board.

**Senator FAULKNER**—Thank you.

**Senator SCHACHT**—Is it true that in April or May you are arranging to hold a meeting of all the senior managers, 160 or 180 of them?

**Mr Shier**—One hundred and sixty six, yes, unless of course the number changes.

**Senator SCHACHT**—One hundred and sixty six managers are going to meet for how long?

**Mr Shier**—Probably two nights and two days.

**Senator SCHACHT**—Is it going to be held off-road so they can all use their four-wheel drives to get there?

**Mr Shier**—There is a thought there, Senator, but we do not have that number of four-wheel drive vehicles.

**Senator SCHACHT**—I thought you might have leased a few extra. Where will you be holding it?

**Senator FAULKNER**—You have got more than the Australian Army.

**Senator SCHACHT**—That is right.

**Mr Shier**—There are a number of candidate places. I do not want to excite the mayors of those cities—

**Senator SCHACHT**—Are you putting it out to tender? One hundred and eighty-eight well-paid ABC executives turning up for two days and two nights in a country town is going to have a big economic impact. Ronnie Boswell from the National Party will be very pleased to hear about this.

**Senator Alston**—You are not asserting, I take it, that they are overpaid?

**Senator SCHACHT**—No. They deserve to be paid reasonably and they are paid reasonably. I am not arguing about that. But in a country town, 188—

**Mr Shier**—It is more likely to be a city, but not necessarily a large city, Senator.

**Senator SCHACHT**—The cost of bringing them all together—

**Mr Shier**—Air fares are about \$84,000. That is the expected cost at the moment, Senator.

**Senator SCHACHT**—Does that come out of the corporate budget at the central level or do they have to pay for their own air fare?

**Mr Shier**—It has not been decided but I suspect it will come out of the divisional budgets.

**Senator SCHACHT**—What is the nature of the seminar for two days and two nights? What is the purpose of it?

**Mr Shier**—I find it quite astounding to hear that there has never been a management conference of the ABC in living memory. One of the reasons for that might be that until recently nobody knew how many managers we had and therefore did not know whom to ask.

**Senator SCHACHT**—Okay.

**Mr Shier**—We have now identified who are the managers. We have identified the 166 and we want to get them in a room for two days to talk about corporate direction, what we are

wishing to achieve as a corporation and what we see as the competitive position of the ABC in the Australian broadcasting environment.

**Senator SCHACHT**—Mr Shier, that is a very positive way to put it. I am not going to argue with that except that this morning, for the third or fifth time we were discussing estimates with the National Gallery of Australia. They went through similar management structure changes, et cetera. There are now complaints that they spend all their energy having seminars and the actual management of the place is falling apart.

**Mr Shier**—We cannot be accused of having too many of these, Senator.

**Senator SCHACHT**—The other thing is, must they attend? It is an offer you can't refuse; the 166 have to turn up?

**Mr Shier**—I do not understand the point of the question.

**Senator SCHACHT**—They have been invited to attend. If a manager says, 'Look, that weekend in regional Victoria—'

**Mr Shier**—It will not be a weekend, Senator. It will be during the week.

**Senator SCHACHT**—So you would expect the 166. Unless they have very good reasons like illness, they will be there.

**Mr Shier**—I would be disappointed if they did not want to come because hopefully the agenda is going to be—

**Senator SCHACHT**—Interesting enough.

**Mr Shier**—Absolutely.

**Senator SCHACHT**—Thank you. At the next estimates I look forward to hearing the report of how well it went. Can I now turn to the appointment and departure of Mr Dunstan.

**Mr Shier**—Yes.

**Senator SCHACHT**—What is the cost to the ABC in dismissing—

**CHAIR**—Senator Schacht, we did have an agreed dinner break for 6.30. I have discussed it with your colleague, Senator Bishop.

**Senator SCHACHT**—All right, we will be back with the ABC after dinner.

**Proceedings suspended from 6.34 p.m. to 7.35 p.m.**

**Senator MARK BISHOP**—I have a few more questions to ask Mr Shier. I turn to the issue of the parting of the ways with Mr Guy Dunstan.

**Mr Shier**—Yes.

**Senator MARK BISHOP**—Last week comments were attributed to you saying that you had removed some directors on the basis of their underperformance. Is that correct?

**Mr Shier**—I do not think I referred to directors. Can you give me my quote?

**Senator MARK BISHOP**—The quote I have says 'removed some directors on the basis of their underperformance'. Perhaps it was staff.

**Mr Shier**—I do not know. I take the quote.

**Senator MARK BISHOP**—Did you remove Mr Dunstan because you believed he was underperforming?

**Mr Shier**—I obviously did not keep him because I thought he was performing.

**Senator MARK BISHOP**—So in your mind he was underperforming?

**Mr Shier**—It was my view that unfortunately my appointment of Mr Dunstan to do that job was mistaken.

**Senator MARK BISHOP**—Is it true that he did not support your model for his division?

**Mr Shier**—No.

**Senator MARK BISHOP**—He did support it?

**Mr Shier**—Sorry, are you saying he did not support—

**Senator MARK BISHOP**—He did not support the model you wanted for his division. He had an alternative view or plans.

**Mr Shier**—Put it this way: the model that was put into the division was a model that we mutually agreed, like I did with all my other directors, at the time we did the restructuring and, to my knowledge, it hardly changed during that entire period. I look to others here to remind me, but I think the restructuring started in August. So basically the structure went in for each of the divisions around about August. The one for the program and content development division went in at the same time, except for a minor change where I did recommend he should bring in a deputy, which he did.

**Senator MARK BISHOP**—So he did not voice to you any dissatisfaction with it?

**Mr Shier**—He made comments about certain parts of the structure, yes, but he did not suggest alternatives which I thought were significant until late January this year when he suggested a significant change. It was my judgment that it was not the structure that was the problem. Maybe the structure should change. That is for a director to recommend to me, but the fundamental problem was that he was not the right person to run even a remodelled structure. Therefore, rather than remodelling the structure again from the one that was put in place in August, my judgment was that I had to change the person heading up that division.

**Senator MARK BISHOP**—Were you dissatisfied at that time with the progress he was making with the implementation of your model of the 21 genre heads within the content and program development division?

**Mr Shier**—I think it is fair to say that I had been unhappy since about last October.

**Senator MARK BISHOP**—Since about last October?

**Mr Shier**—Yes.

**Senator MARK BISHOP**—Why were you unhappy with him? Was it his speed of progress?

**Mr Shier**—I look to the chair for guidance on this because we are talking about a particular individual, but the fact is he was running the R&D division. I want to make it clear that the development of the corporation does not all come through one division. The director of television develops much program, as does the director of new media and the director of radio. The particular job of Guy Dunstan was to run what you might call the R&D division, the research and development division, that would stand back at a distance and look at total output and ask where the gaps were. It was my judgment that he had not developed much, to put no finer point on it.

**Senator MARK BISHOP**—Did he ever advise you that the structure that you proposed was unworkable?

**Mr Shier**—He never said that to me. I gather he said it to a few other people.

**Senator MARK BISHOP**—Apparently so, but the question is: did he say it to you?

**Mr Shier**—He never said it to me. I guess I would have to say that he clearly was not working in the sense that he was not producing anything.

**Senator MARK BISHOP**—So the outcomes were not there?

**Mr Shier**—The outcomes were not there. ‘Anything’ is a hard word when I say he was not ‘producing anything’. What I mean is that in answer to the question, ‘What has been produced from the development division that has uniquely been created in the development division?’ there was not an answer at that time when I asked the question.

**Senator MARK BISHOP**—Did he advise you what he believed were specific problems with the structure?

**Mr Shier**—No, I do not think so.

**Senator MARK BISHOP**—Did he provide you with a written critique of the structure that you had devised and requested to be implemented and provide you with an alternative model that he believed was more workable?

**Mr Shier**—No, he gave me nothing until, as I say, the end of January this year.

**Senator MARK BISHOP**—What did he give you at the end of January this year?

**Mr Shier**—At the end of January this year he made some suggestions about some modifications and I said that he should at least run them past the director of television, which apparently he did. I did not think that addressed the issues.

**Senator MARK BISHOP**—In relation to those suggestions he made to the director of television in late January or early February, were they put in writing and provided to the director?

**Mr Shier**—Only when I required that they be put in writing and only then in a one and three-quarter page document, which I have to say was not sufficient for me if you are restructuring an entire division.

**Senator MARK BISHOP**—And you indicated that to him and to the director?

**Mr Shier**—Yes, I did.

**Senator MARK BISHOP**—Do you still have a copy of the documents he provided to you?

**Mr Shier**—Of his recommended restructure?

**Senator MARK BISHOP**—Yes.

**Mr Shier**—I probably do, but I think it is unhelpful to people who are already in positions to see what may have happened to them under the Dunstan structure.

**Senator MARK BISHOP**—I would ask you to provide us with a copy of that document and you might—

**Mr Shier**—I would ask to be able to do it in confidence. I am happy to do it assuming—

**Senator SCHACHT**—But you want to do it in confidence?

**CHAIR**—You can claim commercial-in-confidence. It is a matter of—



**Mr Shier**—Well, let's claim commercial-in-confidence. Please understand, Senators: I have put in place a replacement for Dunstan who I believe will make the existing structure work with such modifications as they feel is necessary, which I think will be manageable in number compared to a suggestion that there should be substantial change.

**Senator MARK BISHOP**—So you are offering to provide the material that he provided to you on an in-confidence basis to members of the committee?

**CHAIR**—On a commercial-in-confidence basis.

**Senator MARK BISHOP**—Just because you assert, Chair, that a document might be commercial-in-confidence does not necessarily make it so.

**CHAIR**—No, but I am saying Mr Shier can claim commercial-in-confidence, which he is entitled to do. He sought to do that. That means the committee, as you know, can look at it on a confidential basis, but that does not necessarily preclude it finally being made public, Mr Shier.

**Mr Shier**—We are talking about a document that recommends a restructuring which in my view is inappropriate. By definition, it relates to people who currently have jobs. If I can say it once, and I would like to say it very clearly: there is no way that I would introduce this structure and therefore the people's positions as referred to in the document would not be affected in the way that is portrayed by the document. I have not accepted any of these recommendations. So the status of this document is not to be endorsed.

**Senator MARK BISHOP**—No, I understand that. It has been considered and rejected and put in a file.

**Mr Shier**—I am actually hoping it is in a file, because I have to be honest with you that I am not sure that I did not use a circular file for it.

**Senator MARK BISHOP**—All right. I am asking you to provide the committee with a copy. You will give consideration to that and give us a formal response.

**Mr Shier**—I will certainly provide it if I can.

**Senator MARK BISHOP**—There has been some press speculation that you now want to introduce panels to be used to commission programs. Is that correct?

**Mr Shier**—First of all, that part of any discussion was something that was discussed with Dunstan when he got the job. My position on that was quite clear and that was that the R&D division should get expertise from outside the corporation. So if we are, for example, looking at medical programming or science programming, we should be able to bring in a number of people on an honorary basis—we cannot afford to pay people; maybe a small coverage of their transport costs or something—and they would form program development units. I left it for the development director to decide how they would operate.

I had two problems with what Mr Dunstan did. One, he filled all of those positions with only existing staff and did not bring in people from outside; and two, he only filled them with television staff—I think it is fair to say, Sue, only? Maybe there was someone from radio.

**Ms Howard**—I think maybe one.

**Mr Shier**—But, basically, they were television staff. The important thing about the R&D department was that it would actually be multimedia and it would actually look at our output across television, radio and new media. So the program development units were not being

staffed, in my view, with either the external expertise or with people who would work across all three platforms.

There was a third requirement and that is that they be established in cities outside Melbourne and Sydney. We decided what should be in Melbourne and what should be in Sydney, and they were the existing genres in development, but we should also try to put them in other states. That had not happened effectively—there were one or two slight movements in that direction but not, in my view, to the extent that it should have been. So there was not a lot of movement along those basic disciplines. There was some suggestion that we should more formalise who should be members of those program development units, and that is probably what you are referring to.

**Senator MARK BISHOP**—It is. I was going to ask you: where did that suggestion come from.

**Mr Shier**—I made it in the job interview, actually, when I interviewed Dunstan, but if you are asking when did I make it absolutely clear that I was disappointed that had not happened—

**Senator MARK BISHOP**—Yes.

**Mr Shier**—The most recent occasion was probably a week before I realised that we were not making any progress. But it has been an ongoing issue.

**Senator MARK BISHOP**—Was the board advised of the decision to sack Mr Dunstan prior to his actual dismissal?

**Mr Shier**—No, it was not. Everyone uses the ‘S’ word but Guy Dunstan had a contract with us and his contract has been used in the decision that he does not work for us anymore.

**Senator MARK BISHOP**—When Mr Dunstan was initially hired, was that solely a decision of yours?

**Mr Shier**—Yes, it was.

**Senator MARK BISHOP**—You did not consult with others?

**Mr Shier**—I consulted others and, obviously, I got other people’s views but it would be fair to say that it was entirely my own decision.

**Senator SCHACHT**—When Mr Dunstan was interviewed for the job, how many interviews did he go through with panels and you, et cetera before he got appointed?

**Mr Shier**—His name first came to me through a consultant based in London, because Dunstan had been working in Argentina. Although he is an Australian, he had been working for an Australian venture in Argentina and I think I interviewed, I think formally, twice.

**Senator SCHACHT**—Twice. Did anyone else interview him from the ABC?

**Mr Shier**—No.

**Senator SCHACHT**—Just that you interviewed him twice.

**Mr Shier**—I should point out the headhunter who put me in touch with him was in London. So I had to see him myself. I could not go to their offices. They do not have offices in London.

**Senator SCHACHT**—Did he go through one of your psychological tests?

**Mr Shier**—He did indeed, yes.

**Senator SCHACHT**—And he passed it with flying colours?

**Mr Shier**—He did well enough in the test for me to decide to appoint him, yes.

**Senator SCHACHT**—You said that he was appointed in about August last year.

**Mr Shier**—No, that is when we were doing the restructuring within the division—within all the divisions. I would have thought that it was before then. I would have thought that he probably joined—late June I am being told and that sounds about right.

**Senator SCHACHT**—Late June. That is July, August, September. By October, after only four months, you were starting to have doubts about his position.

**Mr Shier**—I think that it is fair to say that if he joined in June and we put the structure in in August—

**Senator SCHACHT**—Right.

**Mr Shier**—Then there were only two months between the introduction of the structure and my feeling that he was not moving things forward.

**Senator SCHACHT**—One thing that I will say for you, Mr Shier, is that you have not ducked taking responsibility for both his appointment and his sacking. In previous estimates you have explained in detail about the process of interview, the psychological tests, but in such a short time you have also said, ‘Well, bad luck, I think I have made a mistake. You’re out.’

**Mr Shier**—Put it this way, there was no way that that decision was conveyed to Dunstan until he would have been—

**Senator SCHACHT**—He had nine months, or eight months?

**Mr Shier**—On an ongoing basis, he would have been aware that I was not happy with his performance in a number of ways.

**Senator SCHACHT**—Unhappy from about October on?

**Mr Shier**—I think so, yes. In fact, I do not want to say it was before August but I would say that quite soon I was of the view that what was forthcoming from the development division was not what I wanted from it.

**Senator SCHACHT**—When you appointed him, what was the length of his contract?

**Mr Shier**—It was a three-year contract, as I understand it. We can check. I am pretty sure that it was a three-year contract.

**Senator SCHACHT**—Did you have to pay him out for the rest of his contract?

**Mr Shier**—No, I did not. Certainly not. There was a formula in the contract.

**Senator SCHACHT**—Which was?

**Mr Shier**—And it was well short of that period.

**Senator SCHACHT**—So he had a performance test clause that if he were not satisfactorily performing, you could sack him?

**Mr Shier**—No, there is a clause in every executive director’s contract which provides a formula should it be—

**Senator SCHACHT**—Should he be sacked. There is a formula for his dismissal on what his payout is; is that right?

**Mr Shier**—Yes. I think that is fair to say.

**Senator SCHACHT**—What was his salary?

**Mr Shier**—He was around 250, I think.

**Senator SCHACHT**—Can you tell me—if you cannot give it to me now, can you take it and put it on notice—what his payout was? Was it one year's salary?

**Mr Shier**—No, I would need to check but it would be closer to three or four months.

**Senator SCHACHT**—Three or four months salary, which is about \$80,000.

**Mr Shier**—I would want to check it but it is about three or four months.

**Senator SCHACHT**—I appreciate your taking it on notice.

**Mr Shier**—What I am saying is that it is nothing like a year and it is certainly not—

**Senator SCHACHT**—Okay. Those same clauses that Mr Dunstan had in his contract as a senior manager are exactly the same for all the other managers you have employed?

**Mr Shier**—Most of them. I would not swear that they are all the same, because people join at different times.

**Senator SCHACHT**—Different times.

**Mr Shier**—But there is a consistency generally in the contracts.

**Senator GEORGE CAMPBELL**—Just following up that issue, Mr Shier, the executives who were in place when you took over the ABC, or prior to the restructuring, all of those people who have been made redundant have now terminated with the ABC or are any of them still on the ABC's payroll?

**Mr Shier**—Sorry, I must have missed the point.

**Senator GEORGE CAMPBELL**—The executives who were in place when you took over the ABC—

**Mr Shier**—Yes.

**Senator GEORGE CAMPBELL**—And who were made redundant as part of the restructuring—in other words, were no longer required by the organisation—have they all been terminated by the ABC or are there any of those persons still on the ABC payroll?

**Mr Shier**—So I am clear what we are talking about in terminology, are you talking about executives as in members of the executive board, the people who report directly to me?

**Senator GEORGE CAMPBELL**—I am talking about those people who held—

**Mr Shier**—Senior positions.

**Senator GEORGE CAMPBELL**—Senior positions who were made redundant in the restructuring, either replaced with others—

**Mr Shier**—No, where agreement has been reached that they should no longer be a director reporting to me, they have left the corporation or they are in the process of leaving the corporation.

**Senator GEORGE CAMPBELL**—You say that they are in the process of leaving the corporation. How many are in the process of leaving the corporation?

**Mr Shier**—I have been disappointed that again, because of leaks, some people whose departure had not been finalised with me were treated as being asked to leave. There are two

people who were members of the corporation's executive committee, if you like, when I joined who I kept in the positions that they had when I joined. Subsequently, we have mutually agreed that they should leave.

**Senator SCHACHT**—And they have now left?

**Mr Shier**—No, they have not left at this point.

**Senator SCHACHT**—So what are they actually doing?

**Mr Shier**—They are doing their jobs.

**Senator SCHACHT**—The existing jobs?

**Mr Shier**—Absolutely, and they will until such time as we finalise terms.

**Senator GEORGE CAMPBELL**—But those persons, they are not performing jobs within the ABC structure at the moment? They have all been terminated off the payroll.

**Mr Shier**—I am sorry, I am just trying to work out what I might be missing here. Certainly, no—

**Senator Alston**—Are you asking if there are any people there who are not actually working but who are nonetheless being paid?

**Senator GEORGE CAMPBELL**—I understand that there are a number of people who held senior executive positions who are still in dispute with the ABC over their termination and I understand they are still on the payroll. I am trying to clarify whether they are still on the payroll drawing a salary, whether they are working or not working or reading papers or—

**Mr Shier**—As far as executive directors are concerned, I do not know anyone, do you?

**Mr Balding**—No, I am not aware of any.

**Mr Shier**—The only two I know of are the two most recent decisions, and the date of their termination has not yet been reached.

**Senator GEORGE CAMPBELL**—And no-one has filed unfair dismissal claims against the ABC?

**Mr Shier**—I am sure somebody has. In what time frame?

**Senator GEORGE CAMPBELL**—Since the restructuring took place. Is there any ongoing dispute between those executives and the ABC over their termination?

**Mr Shier**—There has been a public awareness that Hugh McGowan was unhappy when he was not kept on as the network scheduler. That is some eight months ago. I have seen recent press reports that Paul Barry has issued an unfair dismissal claim in relation to the decision of Television, because he claims somehow that his 12-month contract was ongoing. I am sure the answer is that there are one or two others, but I am not conscious of them.

**Senator GEORGE CAMPBELL**—Can you take that on notice, Mr Shier, and advise us?

**Mr Shier**—You want to know anyone who has lodged unfair dismissal claims since the restructuring—

**Senator GEORGE CAMPBELL**—Anyone who is in dispute with the corporation over their termination.

**Mr Shier**—Okay. I am happy to do that.

**Senator SCHACHT**—Over the dinner break the AFP issued a statement which you may or may not have been aware of. It is dated today. It states:

The Australian Federal Police advise that, subject to any new evidence becoming available, the criminal investigation into this matter is complete.

That is the ABC leak investigation. It continues:

During the course of the investigation the AFP received full cooperation from ABC personnel and was unable to find evidence to support a prosecution against any person. In line with our usual practice, the AFP will not make any further comment on this matter.

Were you informed of that over the dinner break?

**Mr Shier**—Yes, I was—over dinner.

**Senator SCHACHT**—Now that the AFP have decided that they are out of it and there are no breaches of the law for them to continue to investigate, whatever they were, raised in your statement today, will Mr Hodgkinson and Mr Brookes continue to have an internal investigation into this leak?

**Mr Shier**—I think in fairness one has to have a meeting with those individuals, but—

**Senator SCHACHT**—Hodgkinson and Brookes?

**Mr Shier**—Yes.

**Senator Alston**—Just to be clear, I do not interpret that statement as necessarily saying that no offences had been committed. It could well mean that there is not sufficient evidence to charge any particular person but nonetheless offences had clearly been committed.

**Senator SCHACHT**—But they are not going to make a report, presumably—

**Senator Alston**—They are not taking the matter any further, but your statement was that they have found that no offence had been committed, and I am saying that that is not necessarily the outcome of that finding.

**Senator SCHACHT**—All right.

**Mr Shier**—Senator, I would be surprised if the matter was not discussed at the next audit subcommittee of the board. That would be normal and I would expect that to be the next—

**Senator SCHACHT**—The meeting of the audit board?

**Mr Shier**—When the audit subcommittee meets—

**Senator SCHACHT**—Of the board itself?

**Mr Shier**—Yes. I would expect—that would be the decision of the chairman of the audit subcommittee—there will be a meeting to discuss the situation.

**Senator SCHACHT**—Have you been informed whether the AFP, other than this press statement, are going to provide you with any further information?

**Mr Shier**—No, I have not.

**Senator SCHACHT**—Do you think the audit committee of the board may meet earlier to consider this development of what the Federal Police have said?

**Mr Shier**—I really would leave that to the chairman of the audit committee of the board to make that judgment.

**Senator SCHACHT**—Mr Balding, in view of your interest in calling the meeting with Mr Hodgkinson and Mr Brookes on 31 January, will you now call a further meeting with them to discuss this development in the next couple of days?

**Mr Balding**—It is not my responsibility to call a meeting in relation to that matter, to take it further. However, I will continue to persevere with the initiative of a proactive approach to fraud and misappropriation of ABC assets.

**Senator SCHACHT**—So at the moment you are going to leave it to the audit committee of the board to decide whether there should be a continuing investigation into who internally so-called created a leak?

**Mr Shier**—Just so it is clear, I am a member of that audit subcommittee, so I am not leaving it to someone else. I am not distancing myself from that group. I am simply saying: it is the chairman of that audit subcommittee who would logically call the next meeting to discuss the matter.

**Senator SCHACHT**—But that committee will have the power to make a decision to say, ‘We want a further internal investigation under the rules of employment, et cetera, by the management of the ABC’, or ‘We will just let the matter drop.’ That is a decision they can make, either way?

**Mr Shier**—Yes. And, as you indicated, maybe the chairman of the audit subcommittee will have had more information from the Australian Federal Police than I am privy to. I do not know what will be at that meeting in terms of information.

**Senator SCHACHT**—All I can say is: we look forward to hearing whatever the outcome is. I would have thought that this would be a wonderful opportunity for the ABC to say, ‘Thank goodness we are off the hook. There does not have to be any more investigation’, because I suspect you were going to be severely embarrassed talking about—

**Senator Alston**—So your position is that they should not pursue any leaks; is that right?

**Senator SCHACHT**—As it has been explained to us earlier today, Minister, this is the only leak that the auditor, Mr Hodgkinson, and Mr Brookes in recent times have considered investigating. Other leaks of an equal nature were not investigated, were not called on. No meeting was called to investigate them.

**Senator Alston**—Do you regard this as a disclosure of serious information?

**Senator SCHACHT**—Not in view of the information we were given today, in view of the information given by Mr Shier himself. And within a couple of hours of the story appearing in the press he had publicly cleared up the inaccuracy about the employment numbers of senior management, which was his major concern. We have had plenty of that—

**Senator Alston**—I know which side of the story has got a better run.

**Senator SCHACHT**—I beg your pardon?

**Senator Alston**—Well, there is no doubt at all that the original erroneous document has led to most of the very one-sided reporting of the issue, and your position seems to be, ‘Oh, well’—laid back, laissez faire as always—‘Who cares? Leak like a sieve and don’t do anything about it.’ Is that right?

**Senator SCHACHT**—Well, all I can say is: if you are going to chase this leak down, consistency should be maintained and you should chase every leak down.

**Senator Alston**—You would not exercise judgment? You would just have a blind policy of pursuing every leak, frivolous or otherwise? Is that what you are saying?

**Senator SCHACHT**—All I can say is that the evidence given today, in my view, is that this leak was no more serious—

**Senator Alston**—That is a matter of judgment for others, surely.

**Senator SCHACHT**—That is what I am saying.

**Senator Alston**—You were just putting your personal view on the record that you would not pursue it. That is helpful.

**Senator SCHACHT**—Fine, Minister. I will leave it go at that. All I can say is: I think the Federal Police have shown better discretion than initially the ABC management did.

**Senator Alston**—We are talking about two separate issues.

**Senator SCHACHT**—No, we are not.

**Senator Alston**—Yes, we are.

**Senator SCHACHT**—Minister, today the chief executive of the ABC issued a statement here at the estimates hearing that these were matters that could lead to breaches of the Crimes Act.

**Senator Alston**—The police were asked to consider the matter. They made a judgment that they ought to be pursued. They have now pursued it and made a decision. Do not keep pretending that somehow the ABC called in the coppers, because they didn't.

**Senator SCHACHT**—They were consulted, and then they came in.

**Senator Alston**—That is right.

**Senator SCHACHT**—That is a matter of sophistry, whether they were—it is a pointless argument we are having now, Minister. The Federal Police have issued their statement. We will wait with interest to see how the ABC internally responds to it, and I will leave it at that.

**Senator MARK BISHOP**—How many legal actions have been commenced for alleging unfair, unlawful dismissal or wrongful termination of contract?

**Mr Shier**—I think I am going to try to get that information for Senator Campbell. I do not actually know the number.

**Senator MARK BISHOP**—If you are taking it on notice, could you also tell us how many, who by and whom, and legal costs to date arising out of these actions. I would also like to know whether any of these claims have been settled and the terms of the settlements, if they have been settled. The final issue I would like resolved is: does the ABC insist on the inclusion of a clause preventing adverse comment on ABC management in the termination agreements of senior executives who leave the organisation?

**Mr Shier**—I think I have said before that I would be surprised if it did not. If we reach a termination agreement with someone, I would assume that neither do they want me to publicly find fault with them nor do we want them to comment on us. I think any recommended settlement that did not include that would have a shortcoming.

**Senator MARK BISHOP**—That concludes my questions on the ABC.

**Senator GEORGE CAMPBELL**—I wish to raise a point about what you said before the dinner break. You said you were having a love-in, a two-day seminar, with all of your managers. I think you said it is the first time it has happened in the ABC?

**Mr Shier**—To my knowledge, no-one has been able to identify a previous occasion that there has been a management conference—

**Senator GEORGE CAMPBELL**—Where they have all met?



**Mr Shier**—where they have all met in a room, all the senior managers of the ABC and the middle management.

**Senator GEORGE CAMPBELL**—But plenty of corporate love-ins have taken place?

**Mr Shier**—There has been a series of—

**Senator GEORGE CAMPBELL**—So you are not talking about them, you are talking about the uniqueness of all—

**Mr Shier**—I do not think the ABC has love-ins.

**Senator GEORGE CAMPBELL**—A two-day seminar.

**Mr Shier**—There has been a series of conferences, but nothing which has been what I would call a corporate-wide conference of the ABC, no—to my knowledge. No-one has been able to tell me there has been one.

**Senator GEORGE CAMPBELL**—I just wanted to put that on the record. Because it might have given the impression that there had never been any conferences of management in the ABC. Mr Shier, at the last estimates I asked for a breakdown of the training budget of the ABC between human resources and the divisions. While you provided me with the human resources budget, not all of the divisional budget allocations for training were given. You just gave me the two figures in fact which you gave me at the estimates. Can I ask you what the figures are for each of the divisions in terms of their training budgets?

**Mr Balding**—I have not got it with me.

**Mr Shier**—Let us get that for you.

**Senator GEORGE CAMPBELL**—Can we get it with a bit of haste on this occasion?

**Mr Balding**—I will do that for you, yes.

**Senator GEORGE CAMPBELL**—I might add that it would be useful to bring the training stuff with you, because it is something that will be followed up at each of the estimates, for very obvious reasons. Mr Shier, can you give us an overview on the state of training in the ABC and where you think it needs improving and what you think the ABC is particularly good at?

**Mr Shier**—Can I say, first of all, that I think that the ABC's underperformance in training from its own point of view, in the sense that it would like to do a lot more, should be viewed in the context of the fact that other parts of the industry do very little indeed. So whilst we might like to do more and we do not do enough, we do a lot more than a lot of other people do. In fact, I think it is fair to say that we have trained much of the industry and we would like to continue to do so, subject to having the money available. We are not happy with what we are doing, but we would certainly like to do more. I am comforted because this is, to say the least, an area of great interest to my colleague, who has had a very quiet visit to the Senate estimates, Drew Lean. Perhaps Drew might be good enough to comment on the broadcasting aspects of training within the corporation?

**Mr Lean**—I agree with Jonathan. I believe that training is a core part of the ABC. I believe the ABC has a role in training the industry. This is particularly evident with the commercial operators ceasing to train pretty much at all. However, that does not unfortunately take away from the reality of the budget limitations we have. What we are trying to do is ensure that the training spend we make is as effective as it can possibly be.

**Senator GEORGE CAMPBELL**—While it is encouraging to hear those comments, Mr Lean, can I just ask whether, and to what extent, the focus is going to be on broadcast type training within the ABC as opposed to corporate? There has been a skewing of the training agenda in the ABC more towards the corporate side of affairs than there has been towards producing better quality broadcasters.

**Mr Lean**—Sure. The human resources division now provides a service in the coordination of training. They provide to each of the divisions a training coordinator in each state. In a recent conference I had with my resource managers around the various production centres in Australia I made it very clear to them that I required them to review their budget and determine with their supervisory staff what the ideal level of training within their division should be. It would have to come out of their existing budget allocation, but that, frankly, is something that will vary from production centre to production centre depending on their existing skills set, what skills need addressing, what multiskilling we need to train in and, of course, there are the new technologies as a result of digital.

**Senator GEORGE CAMPBELL**—What about the budget that is currently in human resources of the training that was centralised? How much of that is now being farmed back out into the divisions?

**Mr Lean**—None of it has been farmed out into the divisions as such. They are using their budget for that coordination process. There is available in most of this financial year, if I remember correctly, about \$120,000 that we are taking advantage of in the next three months.

**Senator GEORGE CAMPBELL**—How are the divisions going to generate the resources to carry out the training? The training was previously done centrally out of a budget that is set centrally?

**Mr Shier**—Can I just comment that this is one of the issues that Mr Balding and I have discussed in relation to where the training budget exactly should sit in next year's budget. I can assure you that he is focusing on training as a priority when we set that budget. But the facts are at the moment in this year's budget we have done the best we can, but it is not as much as we would like.

**Senator GEORGE CAMPBELL**—So we are talking about 30 June this year?

**Mr Shier**—Indeed.

**Senator GEORGE CAMPBELL**—You are looking at a greater distribution of those resources come the budget for the next financial year?

**Mr Lean**—Correct.

**Mr Shier**—I would be disappointed if we could not do that.

**Senator GEORGE CAMPBELL**—I have seen some figures about the amount of expenditure by the ABC on training. I think the figures I have seen is that the ABC spends something like \$912, the BBC something like \$2,700 and CBC \$1,300 compared to the Australian Public Service at \$1,000 on training. Are those figures correct?

**Mr Lean**—I could not comment on that.

**Mr Shier**—Mr Lean could not comment on that. That is not within his brief. But I am more than happy to have those figures examined. I am not familiar with those figures, I must say. This is the first time I have heard them.

**Senator GEORGE CAMPBELL**—They were in a document detailing your training. Are you familiar with the BBC's training agenda and how they conduct training in the BBC?

**Mr Shier**—No, not sufficiently.

**Senator GEORGE CAMPBELL**—Similar to the way the BBC has been used to benchmark other areas of the ABC's performance, do you intend to do that in respect of training?

**Mr Shier**—I would be more than happy to do it. But in this area I would have to say I would like the BBC's problems. The amount of money they have available to address these sorts of issues is very substantial compared to what we have.

**Senator GEORGE CAMPBELL**—Setting aside, as I understand it, the resources issue, which cannot be ignored, at the last estimates you did make a point of saying that you wanted to benchmark the organisation against an outside body, and the BBC was the example that was used on a number of occasions at the last estimates. Is it the intent to benchmark the training agenda against the BBC?

**Mr Shier**—I would like to, but I have to be honest with you: I think that I already know what that benchmark will tell me. We are well short of where we would like to be, and I would like to think that we will be able to make recommendations as to how that can be improved in the future by seeking extra funds to do more training.

**Senator GEORGE CAMPBELL**—I asked you on the last occasion about the outsourcing of training. I think you said on that occasion that you wanted to do as much training in-house as possible?

**Mr Shier**—In relation to broadcast training—

**Senator GEORGE CAMPBELL**—It is all done in-house?

**Mr Shier**—I would suggest we do it better than anybody else. That is a position I would logically take. Unless we get into the new areas of digital, which may be a particular aspect of digital that we are not familiar with—unless Mr Knowles wants to comment—I would have thought that most of that training would be done in house.

**Mr Knowles**—As far as new equipment is concerned, we have a policy of basically training trainers. So when I purchase a new piece of equipment for the corporation we acquire training for a number of staff who are really intended to help train other staff in the corporation. Given that we have nobody in the corporation that actually understands this equipment, we get the manufacturer to train. All of the basic training for most of this has in fact been delivered by internal ABC staff. The ongoing specialist training is also done by ABC staff unless there is a very good reason. For example, if we need a very small number of people trained in the corporation because of the uniqueness of equipment, then it may not be cost-effective to do that to maintain that level of skill. But by and large we certainly do train internally as much as possible. We do outsource initial training, which we would have to do anyway.

**Senator GEORGE CAMPBELL**—But is there any other training that is outsourced just on a cost-effective basis?

**Mr Knowles**—I think we in fact do outsource some training like, for example, some of the specialist generic computer-type training sometimes, although we have stopped doing that in more recent times.

**Senator GEORGE CAMPBELL**—Is that done on the basis of not having the skills internally?

**Mr Knowles**—No, it is just cheaper to do it with somebody who does it all the time and has the centre set up to do that, rather than actually set it up for what might be a one-off course for a short period of time.

**Senator GEORGE CAMPBELL**—When will the budgets for the training be available, Mr Shier, for the next financial year?

**Mr Shier**—They will go to the May—at the latest June—board. I would expect they will be published after the June board at the latest. We start work on them in late March/April.

**Mr Balding**—The budget memo to put together the process to come to the June board meeting at the very latest is already in train now.

**Senator GEORGE CAMPBELL**—Those budgets for the divisions are being prepared in consultation with divisional heads?

**Mr Balding**—Yes.

**Mr Shier**—Absolutely, yes.

**Senator GEORGE CAMPBELL**—We will wait and see what the outcome of it is.

**Senator SCHACHT**—I just want to ask a couple of quick questions following on what Mr Shier said earlier today about the bias in the ABC. He commented about an article that appeared in today's *Australian*. Trumpeting that article, Mr Shier, was a Newspan which showed that in a survey five per cent said that the ABC was biased to the government, 11 per cent said it was biased against the government, a total of 16 per cent thought it was biased one way or the other—about a two to one margin against the government. Not biased were 58 per cent, and uncommitted 26 per cent. I have to say that in relation to any other media organisation—when only 16 per cent of the sample said that the ABC was biased one way or the other, I would have thought was a pretty good record of which the ABC—

**Mr Shier**—I am not saying it is not a good record; I am saying that the 20-odd per cent who were unsure—

**Senator SCHACHT**—It was 16.

**Senator Alston**—Twenty-six.

**Mr Shier**—No, it was—

**Senator SCHACHT**—Biased was 11 per cent; uncommitted was 26 per cent.

**Mr Shier**—Twenty-six per cent of people were not sure whether we are unbiased. I think that that is—

**Senator SCHACHT**—That says uncommitted. They would not answer the question.

**Mr Shier**—Okay. I must say that I think—

**Senator SCHACHT**—I have to say I have had some experience—

**Senator Alston**—You would run around saying that the high proportion did not think the ABC was biased. What is being said to you is that you cannot include that significant proportion in that category.

**Senator SCHACHT**—If you exclude the uncommitted—

**Senator Alston**—Why should you exclude them? That is the point that is being made.

**Senator SCHACHT**—The positive results were: not biased, 58 per cent; biased one way or the other, 16 per cent. How can you interpret the uncommitted? They might have told the people, ‘We do not want to answer the thing’, ‘We don’t understand it’ or, ‘It is an invasion of privacy’.

**Senator Alston**—Has it ever occurred to you that people might be more than happy because they perceive on either side of the political fence that their side is getting a very good run and they regard that as not biased?

**Senator SCHACHT**—I have to say that is an extraordinary interpretation.

**Senator Alston**—Is it? You would run around saying the ABC is not biased, wouldn’t you?

**Senator SCHACHT**—I go around saying that the ABC on various programs is biased, has been biased and will be biased.

**Senator Alston**—But if you say there is a problem of bias—

**Senator SCHACHT**—But I am not saying that—

**Senator Alston**—why are you complaining about the ABC addressing it?

**Senator SCHACHT**—I am not saying that it is a problem. I have accepted—

**Senator Alston**—You do not think bias is a problem?

**Senator SCHACHT**—I think that when—

**Senator Alston**—The ABC is committed to doing away with bias and having balanced coverage. You say they should not do anything about it, do you?

**Senator SCHACHT**—You want to make this a debate. I was asking a question. What I wanted to say is I have always accepted that in a range of programs there are points of view put that I would disagree with. I would have to say that, because of the broad range of the ABC, it all balances out.

**Senator Alston**—You did not say that. You said they have been persistently biased in rural Australia for the last 30 years.

**Senator SCHACHT**—Yes, of course.

**Senator Alston**—That is not a balance—one day yes, another day no. You are saying in your view there has been a crippling problem of bias.

**Senator SCHACHT**—No, no. What I said was they were biased—

**Senator Alston**—And you do not want anyone to do anything about it.

**Senator SCHACHT**—but then I do not complain about it because—

**Senator Alston**—But there you are conceding bias. Your argument is utterly illogical.

**Senator SCHACHT**—You are a fool, Alston.

**Senator Alston**—That is the last resort—an incompetent argument.

**Senator SCHACHT**—What I was saying was that I could argue—and I did—and there is evidence that the conservative side of politics gets a very good run in regional rural agencies.

**Senator Alston**—Which you accepted as bias.

**Senator SCHACHT**—Yes. But that is—

**Mr Shier**—And I said I would take it aboard.

**Senator Alston**—Why shouldn't they have a balance in rural Australia?

**Senator SCHACHT**—What I was saying is, overall, other programs may be balanced out, maybe by Phillip Adams, for goodness' sake.

**Senator Alston**—If I am a rural resident, why should I be subjected to 30 years of ongoing bias? It is an illogical absurdity.

**Senator SCHACHT**—All I can say is that across all programming there is at times bias. It would be unnatural if there was not a viewpoint put. That is the whole point of the ABC.

**Senator Alston**—And no endeavour should ever be made to achieve a reasonable balance; is that right?

**Senator SCHACHT**—I do not think there has to be a need for any change in the ABC on the issue of bias because most people believe that it is reasonably balanced—

**Senator Alston**—You are supposedly a high level decision maker representing a constituency of a couple of million people saying you think there has been systematic bias for 30 years in rural Australia, but you do not think they ought to do anything about it because it balances out in the city, does it?

**Senator SCHACHT**—It balances out across-the-board.

**Senator Alston**—So that means that there is bias in favour of Labor in the city; is that what you are saying?

**Senator SCHACHT**—No.

**Senator Alston**—How does it balance out?

**Senator SCHACHT**—I would say that I accept the fact that structurally—

**Senator Alston**—That is ridiculous.

**Senator SCHACHT**—I said in my comment—if you listen to it—that, because the rural organisations and sitting members have, until maybe the last couple of weeks, overwhelmingly been of the conservative side of politics, they naturally get a bigger run.

**Senator Alston**—So it is not biased after all?

**Senator SCHACHT**—I have to raise the bias issue.

**Senator Alston**—You have today. You have raised it.

**Senator SCHACHT**—I do not come in here—you were the one—

**Senator Alston**—You have been at it all day and you have been admitting up front that you think the ABC is biased.

**Senator SCHACHT**—You and the Liberal Party and the secretary of the—

**Senator Alston**—But you do not want to do anything about it. It is like leaks; you are happy to see leaks, but you do not want to do anything about it. I know you will commit to anything, but this is ridiculous.

**Senator SCHACHT**—You are just babbling on now, like you had your fingers crunched last week over the privatisation of Telstra and you had your head kicked in by the Prime Minister.

**Mr Shier**—If it is any help, can I just make the point—I do not want to be the authority on Newspoll's credibility, but if one accepts that the Newspoll's samples are robust and reasonably good, five days ago we had a Newspoll which said 80 per cent of the people of Australia think the ABC is doing a good job. I think we should take great heart from that. Unfortunately, this poll says that 58 per cent of them think it is not biased. I would like to close the gap. If 80 per cent think we are doing a good job, I would be much happier if a number closer to 80 per cent also thought we were doing a great job in an unbiased way. All I am saying—

**Senator SCHACHT**—You are putting the uncommitted as basically they are not happy on the issue of bias.

**Mr Shier**—All I am saying is there is less clarity on the unbiased issue than there is on the doing a good job issue. I would like us to do better if we can—so no more than that.

**Senator SCHACHT**—All I can say is that you were worried about the 16 per cent and the argument was government/opposition. I suspect if we are in government after the next election, which is highly likely, within 12 months it will be more bias against the government of the day. The ABC's bias overwhelmingly—if there is one—is that it is critical of the government of the day. It has to be. Current events and news reporting and investigating government activity, whether Labor or Liberal—

**Mr Shier**—I think that is a valid argument. I think it is an important argument. I do not think it is the sole argument.

**Senator SCHACHT**—I think it is probably the overwhelming argument.

**Mr Shier**—All I am saying is that it is a constant requirement for the management of the ABC to oversee that and make sure that there is clear evidence that bias is, wherever possible, not seen to be being done.

**Senator SCHACHT**—I just wanted to raise the point, but I will leave it to my colleagues.

**Senator MARK BISHOP**—Your colleagues, I think, do not have any further questions on the ABC.

**Senator SCHACHT**—I thought you were finished with the ABC. I am finished, anyway.

**Senator MARK BISHOP**—In that case, we have all finished with the ABC, as I understand it. Thank you, Mr Shier, and colleagues for attending. Thank you, Chair.

**CHAIR**—I would like to thank the ABC for appearing here this afternoon. We now call Telstra.

[8.25 p.m.]

#### **Telstra**

**Senator MARK BISHOP**—Welcome, Mr Stanhope. I have some questions which I am going to direct to the minister on the Besley inquiry and Telstra privatisation. Senator Mackay is coming and her line of questioning is going to be on NDC and contractors, which has been asked in the past, and then I think Senator Lundy has some questions as well. That will do us. The rest of the stuff we will put on notice.

So, minister, to you I think in the context of the Besley inquiry: when the report came down from Mr Besley's committee, the government indicated that it had hoped to release its response before the end of last year. We still have not seen a response from the government. When can we anticipate a response?

**Senator Alston**—I cannot give you any fixed time line on that, but I think that we are certainly keen to progress it as fast as we can. There were, as you know, 17 recommendations. Obviously, all of them need to be properly explored. There were some overarching concerns expressed, which I think probably in themselves pose more challenges than the specific recommendations. So it is work in progress.

**Senator MARK BISHOP**—So it is under review. March?

**Senator Alston**—I really cannot help you on that score.

**Senator MARK BISHOP**—I just want to ask some questions about Senator Campbell, your parliamentary secretary. Can you tell the committee what his duties, functions and responsibilities are as your parliamentary secretary?

**Senator Alston**—He represents me at functions, he has specific policy responsibilities—and I am just trying to think precisely what they were—government online particularly, that is true.

**Senator MARK BISHOP**—What other specific policy responsibilities?

**Senator Alston**—I know, for example, the issue of disputes with landlords about paying access to buildings was one matter where he had a number of meetings with various carriers. I think low-impact facilities and mobile phone tower location; he was certainly involved in discussions about the untimed local calls tender and I think perhaps in relation to mobiles on highways.

**Senator MARK BISHOP**—Is that an exhaustive list?

**Senator Alston**—No, that is off the top of my head. There may well be others I can give you.

**Senator MARK BISHOP**—Can you take it on notice and give us an exhaustive list of his duties as your parliamentary secretary?

**Senator Alston**—I hope you are not suggesting that he is underperforming?

**Senator MARK BISHOP**—No, I am not making any suggestion like that. I would just like to have a list of his duties. Can you tell me also, excluding his electoral staff—which is the same as mine and every other Senator—how many persons Senator Campbell has working for him?

**Senator Alston**—Bearing in mind that he is Manager of Government Business in the Senate as well. Yes, I will find out what his staff complement is.

**Senator MARK BISHOP**—Do you know of it off the top of your head?

**Senator Alston**—No, not really.

**Senator MARK BISHOP**—Mr Stevens?

**Mr Stevens**—No, I could not be sure, either.

**Senator MARK BISHOP**—All right. Do you mind taking that on notice and giving us his staff complement? The final issue that I want to pursue was foreshadowed by Senator Schacht before he left. What is the government's current policy on the full privatisation of Telstra?

**Senator Alston**—I think that we have made it clear on a number of occasions that we are not going to proceed to full privatisation unless and until we are satisfied that arrangements exist to deliver adequate services, particularly in rural and regional Australia—although Besley did cover the field, and the Besley report was of particular importance in examining



those issues. So we will not be proposing any legislation in this area again unless and until we have not only completed that plan of action following on from the Besley inquiry but it has been properly considered and made public.

**Senator MARK BISHOP**—Is it government policy that the privatisation will only proceed after the government has announced and implemented its proposed action plan in response to the Besley inquiry report recommendations?

**Senator Alston**—We are simply focused on getting Besley right at the present time. So we are not contemplating beyond that.

**Senator MARK BISHOP**—Not contemplating beyond that at this stage. When you said that no further privatisation ‘unless and until—deliver adequate services, particularly in rural and regional Australia’, does that mean after all the problems identified in the Besley inquiry report have been rectified?

**Senator Alston**—We will be fully addressing the Besley recommendations and we will want to be satisfied that arrangements are in place to ensure that adequate services are able to be delivered.

**Senator MARK BISHOP**—When you have finally concluded your deliberations on Mr Besley’s recommendations and you have set up and implemented an action plan to give effect to those recommendations—if you go down that path—will the government require that someone independent from the government will certify that those services are now adequate?

**Senator Alston**—I think that it will be a matter of judgment by all parties. Our commitment was to conduct a public inquiry. That public inquiry has been conducted. The report has been made public. Everyone knows what the recommendations are and, clearly, we will need to deliver on those recommendations.

**Senator MARK BISHOP**—That is right. The government of the day will have to deliver on those recommendations and you will make them public in due course. But what I am asking is: how are you going to satisfy the Australian community that the recommendations that you adopt to give effect to Mr Besley’s recommendations are satisfactorily implemented?

**Senator Alston**—That will be a matter of judgment. We will put out our response. We will make public our response to the Besley recommendations. You will, no doubt, find reasons for criticising it and, no doubt, we will have a very interesting discussion at that time.

**Senator MARK BISHOP**—Would you rule out the option of having someone independent from government—

**Senator Alston**—We have already had an independent assessment of what is required to deliver on adequate services in the whole of Australia, but particularly regional and rural. I would have thought it is a very transparent process. People know what the recommendations are. They know the benchmark. They can make their own judgments about whether we are meeting those requirements.

**Senator MARK BISHOP**—So you would not be proposing to have a further independent review of the implementation of those recommendations?

**Senator Alston**—In many respects, I think that it is probably a lot more effective to let the public at large make their judgment. The commentators will have a view. If we appointed one person to make a judgment and that one person decided that everything was hunky-dory, I would be very surprised if you would accept that and you would simply trigger yet another round of arguments. You would probably then want a panel of three to hear the matter on

appeal, and it would be a never-ending process. We have gone through a very exhaustive exercise. We have got a very comprehensive report. We all know what that involves. We all know what Mr Besley's findings mean. You and everyone else are capable of making a judgment when you see what our response is.

**Senator MARK BISHOP**—All right. One final issue: you are probably aware of a Federal Court decision, I think in December of last year, saying that carriers can be charged for—

**Senator Alston**—I did see that.

**Senator MARK BISHOP**—carrying electricity through the wires. Does the government have a view on that decision? Is it considering intervening in any matters that go to appeal proceedings from that?

**Senator Alston**—I certainly have a view on it, but I am not sure that I want to express it ahead of the appeal being completed. We are not proposing to pre-empt that appeal.

**Senator MARK BISHOP**—And you are not proposing to intervene in the appeal?

**Senator Alston**—No, I do note that I have not given consideration to doing that. It is an option, but—

**Senator MARK BISHOP**—It is obviously an option. Can I ask you: is it under consideration? Is the government considering—

**Senator Alston**—Yes, it is under consideration.

**Senator MARK BISHOP**—When is the closure date for appeals? Has it closed off now?

**Senator Alston**—Telstra should know this one.

**Senator MARK BISHOP**—It probably would be, wouldn't it, by now?

**Mr Stanhope**—And it is our intent to appeal. We have already appealed.

**Senator MARK BISHOP**—Telstra have already appealed. Dates have not yet been set?

**Mr Stanhope**—No.

**Senator MARK BISHOP**—So you can intervene? Thank you, Minister, Mr Stanhope.

**CHAIR**—That is all, Mr Stanhope. Thank you very much for appearing. Sorry, my apologies. A little bit too quick off the mark, Mr Stanhope. Who is going first, Senator Mackay?

**Senator LUNDY**—I would like to ask some questions about Telstra's ADSL rollout, in particular the pricing packages that you have on offer for the business sector, the corporate sector. I want you to tell me if you differentiate in terms of the ADSL packages you are offering on a geographic basis in any way.

**Mr Stanhope**—No, we are not differentiating on a geographic basis, but—

**Senator LUNDY**—So you do not have any different—sorry, I will let you finish.

**Mr Stanhope**—There are speed options, but, no, we are not differentiating on a geographic basis. It is a national price agreement.

**Senator LUNDY**—To take a finer point of it, with other service offerings by Telstra—Internet service offerings—you do differentiate among metropolitan, regional and rural, is my understanding, on sometimes quite an arbitrary basis.

**Mr Stanhope**—We have got a national price set for ADSL.

**Senator LUNDY**—For ADSL?

**Mr Stanhope**—Yes.

**Senator LUNDY**—Can you tell me if you differentiate between business and residential clients?

**Mr Stanhope**—I am trying to remember the ADSL prices. I think there is a business rate and a residential rate, yes.

**Senator LUNDY**—Are you in a position to tell me how they compare?

**Mr Stanhope**—I think they are about \$10 different per month, something like that. It is a marginal difference.

**Senator LUNDY**—Could you take on notice to provide me with those full details?

**Mr Stanhope**—The exact number, yes, I will.

**Senator LUNDY**—And also if the ADSL packages vary from region to region. Some parts of Australia in fact cost more than in other parts as well, if you could.

**Mr Stanhope**—Okay. I will take that on notice.

**Senator LUNDY**—And can you just briefly describe where you are at in terms of the ADSL rollout?

**Mr Stanhope**—There are about 384 exchanges that now are ADSL equipped, which gives us about 40 or 45 per cent coverage. We have, as you know, a commitment to 90 per cent ADSL capability to 90 per cent of Australians by the end of 2002. In order to do that there are about 1,280 exchanges that need to be done. When we have done that, that would mean about 82 per cent of all lines would be ADSL equipped or capable, and the rest of our broadband strategy, which is not just an ADSL strategy—the rest of the population would be either covered by cable, the hybrid fibre cable, or satellite.

**Senator LUNDY**—In terms of the upgrade of exchanges, I think last time Telstra was here we discussed Telstra's decision to upgrade the residual exchanges which were not going to be part of the original data mode of operation upgrade—I am trying to recollect—but you subsequently established a program to deploy a further upgrade at the cost of some \$20 million to the next tier, if you like, of primarily rural exchanges. Can you provide me with the detail as to how that program is going? How many of those rural exchanges have in fact now been upgraded to carry the advanced digital services?

**Mr Stanhope**—I think we were discussing the IRIM, which is a switching or an exchange of equivalent in rural areas to provide services that metropolitan areas had like EzyCall—

**Senator LUNDY**—That is right, yes.

**Mr Stanhope**—So that capability is well advanced. I will give you the exact detail of how many have been done, but we have got a program, as you have mentioned, of doing them all. I will give you the precise detail.

**Senator LUNDY**—If you could, and also identify the individual exchanges that have been upgraded and identify the individual exchanges which are currently on your schedule and when they are likely to be done.

**Mr Stanhope**—I will be able to do that. I was just seeing if I had some more detail. There are 1,250 IRIM exchanges that would affect 150,000 customer lines located throughout

Australia. The project is well advanced, but that does not give you precisely what you want, so I will

**Senator LUNDY**—Does that mean most of them have been upgraded or you are well on the way to organising them to be upgraded?

**Mr Stanhope**—The physical upgrade launch of entering into the IRIMS was only in Shepparton on 20 February, so from my information that I have I would say it is in its preliminary stages of the total 150,000 lines. I will get you the precise percentage completed of those 150,000 lines, and you want the exchanges or the areas that have been upgraded?

**Senator LUNDY**—Yes. Maps would be good.

**Mr Stanhope**—We probably have maps.

**Senator LUNDY**—Can you clarify for me in terms of the ADSL service, is the ADSL rollout contingent upon those upgrades taking place?

**Mr Stanhope**—No.

**Senator LUNDY**—So you can have ADSL without those digital upgrades inside the service?

**Mr Stanhope**—Yes. It is not contingent on that particular activity, but the telephone exchanges—and IRIMS are exchange equivalents—do need some electronics for ADSL capability. That program that I just spoke about is not equipping for ADSL.

**Senator LUNDY**—No, I appreciate that, that is why I asked what the relationship was.

**Mr Stanhope**—So there is more to be done to equip those same areas with ADSL.

**Senator LUNDY**—And in terms of equipping those exchanges with ADSL, will that occur before or after the upgrade that we were just discussing or in conjunction with it?

**Mr Stanhope**—Sometimes simultaneously but not always. I mean, that area in Shepparton that I was suggesting—or just outside Shepparton—would be only an EzyCall type service enhancement, not ADSL.

**Senator LUNDY**—Are you planning on creating an ADSL capability in those exchanges before their digital upgrade in any circumstances?

**Mr Stanhope**—Could be. Yes, could be. What I am saying, though, is we have got an ADSL rollout program. I am not trying to be cute here—

**Senator LUNDY**—No, I am not either; I am just trying to find out whether they are going to get done last again.

**Mr Stanhope**—We have got a voice service upgrade program which is really the EzyCall services, and sometimes they cross over; that is all I am saying.

**Senator LUNDY**—Just one other question on this point: is their quality of the ADSL service contingent on the consumer access network or indeed the length of that last mile; that is, how many kilometres of copper before the ADSL service degrades?

**Mr Stanhope**—Well, we are fortunate enough to have most of our exchanges well distributed and I think I may have mentioned at another time that there are about 5,200 distribution points, and when you include those IRIMS there are even more. So we do not have really a degradation of service in the last mile problem. But to answer your first question about the access network, it does need to be good quality. In fact, over the last couple of years we have spent over \$2 billion on upgrading the customer access network for a couple of

reasons—one, to reduce the number of faults and provide better service and reliability to customers, but also in preparation for ADSL rollout.

**Senator LUNDY**—Briefly on another issue—my understanding in terms of Telstra's retail offerings through their ISP Big Pond is that if you became a customer of Big Pond, when you dialled up you did not incur an additional local call charge to dial in. Can you clarify that for me?

**Mr Stanhope**—If you dial up you do not—

**Senator LUNDY**—Incur a local call charge as well as an ISP charge.

**Mr Stanhope**—I am a little bit out of my depth and a few of my colleagues have gone home.

**Senator LUNDY**—I might place some questions on notice that relate specifically to that.

**Mr Stanhope**—I think that would be better.

**Senator Alston**—Why would the call to Big Pond not be simply a call to an ISP for which you pay a local call charge?

**Senator LUNDY**—That is the question I am asking. I am presuming you do pay the local call charge. The next part of my question, though, Minister, relates to how often you have to pay for that dial up if there are disconnections or consistent reconnections during the time you are online.

**Mr Stanhope**—If there is a disconnection of the call and a call needs to be re-established, there will be a call charge and there is a call charge to an ISP.

**Senator LUNDY**—Has Telstra in any way, shape or form altered the code in the CD it distributes with its Big Pond access set up in such a way that it provokes an automatic disconnect following the download of email?

**Mr Stanhope**—I am not equipped to answer that question. I will take that on notice.

**Senator LUNDY**—I suspected you would. Can you also tell me if you collect data or provide any information about the frequency of disconnects that occur when people do dial into Big Pond, either business or residential products, as to the frequency of the disconnect causing a reconnection as part of that connection and whether there is any mechanism that Telstra has evoked either unwittingly or wittingly to cause a disconnection following a process such as an email download as part of using Windows Explorer, which I understand comes on that CD and is part of that installation package.

**Mr Stanhope**—I will give you that information on notice.

**Senator LUNDY**—I have received complaints from constituents very specifically in this regard, so I am looking for a detailed and technical answer.

**Mr Stanhope**—Okay. We will provide that.

**Senator MACKAY**—I want to get an update on the proposed sale of NDC from somebody.

**Mr Stanhope**—Sure. The sale process has been under way for quite some time. We have had some bidders. They have gone through a due diligence process. There is a data room. They have been looking at the data with respect to the network and design of the construction business. We had a set of forecasts that we produced in the information memorandum. The amount of work that NDC has been receiving from Telstra and its external work predictions

has changed and so we have revised that forecast of the likely outcome for this year. As a result of that, we have had to reissue that to the potential buyers. There are four remaining potential buyers in the process. We are still in discussion with those buyers. If all goes well, our aim is still to be able to announce something at the end of March. We are still trying to settle the sale before the end of this financial year.

**Senator MACKAY**—What particular factors impacted in relation to the revised forecast and how was the forecast revised? You have mentioned some, but specifically how has it impacted?

**Mr Stanhope**—The capital expenditure spent by Telstra as a whole has reduced from last year's \$4.8 billion to \$4.3 billion. When we first established these forecasts, it was prior to the settlement of this year's financial planning. So that had an element of impact. The amount of work required in the construction area that NDC specialises in, being what we call the inner exchange network and assembling exchanges and adding new lines to exchanges and so on, has reduced. Before we gave consideration to selling NDC, we went through what we call a commercialisation process of that entity. It was inside Telstra and we made it a 100 per cent owned and controlled entity. The purpose of that was to make sure that it was able to be sold and able to compete and at the same time establish a construction industry that could compete with NDC.

The whole purpose of that was to make sure we had a robust construction industry. Even going back further, part of the logic behind us selling this in the first place is that it is a construction business. Telstra is not really in the business of construction. If not the only one, we are one of the last telcos worldwide that is still doing its own construction. So that was some of the background. So there is contestable work given to NDC and there is non-contestable work given to NDC. Both of those elements of work were less than we first thought so we had to adjust the forecast.

**Senator MACKAY**—Why was the capital budget reduced by \$500-odd million?

**Mr Stanhope**—Primarily because it was somewhat of a special year. The year before it was \$4.8 billion, as you heard me mention to Senator Lundy. We had a major upgrade of the customer access network. That was \$1.3 billion alone last year. Because we have done all that work, it is less this year. Our capital program is demand driven as well and competition is alive and well out there. So there are fewer lines that we need to install. It has been a volume driven reduction as well. There are also a lot of capital efficiencies going on in the organisation—that is, being able to spend our capital dollar more effectively.

**Senator MACKAY**—When you say it is demand driven, are you saying there is actually less of a demand for capital in relation to the network?

**Mr Stanhope**—What I am saying is that we are in competition for basic access lines. Access lines are being provided by our competitors and we are losing some market share, as you would expect going from a monopoly to an open competition environment.

**Senator MACKAY**—What work has been done by Telstra in terms of quantifying the volume reduction that you alluded to?

**Mr Stanhope**—Every year when we do our plan we calculate the volumes that we expect from increases in access lines, increases in call minutes and traffic. This is good for customers, of course, because they get choices and lower prices, but we are experiencing market share loss in long distance minutes. We are experiencing market share loss in local

calls and we are experiencing market share loss in access. Because of those very facts we do not have to build as much.

**Senator MACKAY**—You said that Telstra is not in the business of construction.

**Mr Stanhope**—It is not our core business; however, we are at the moment.

**Senator MACKAY**—So basically Telstra is of the view that it ought not be in the business of building telephone networks or constructing the network.

**Mr Stanhope**—Ourselves, yes. Obviously we believe that we are in the business of designing and planning them, because that is a core part of our business and a core competency, but we do not believe that actually doing the construction work is core to our business.

**Senator MACKAY**—You gave a fairly broad brush reply as to the establishment of what impacted on Telstra's assessment about the reduction and demand. What work was done and what specific figures can you give me in relation to the reduction of demand and volume in relation to regional Australia specifically?

**Mr Stanhope**—I would have to take that on notice, because I do not have the specific access line split regional and metro in my head, but certainly we have got that information.

**Senator MACKAY**—Is it fair to say that Telstra believes there has been a reduction in demand in regional Australia?

**Mr Stanhope**—The competition has been more prevalent in metropolitan Australia.

**Senator MACKAY**—So has there been a reduction in demand in regional Australia?

**Mr Stanhope**—I cannot tell you. I know there has been an overall reduction in demand. What the mix is—metropolitan and regional—I cannot tell you, but I am prepared to give you that information.

**Senator MACKAY**—Surely the answer would be that, no, there has not been a reduction in demand in regional Australia.

**Mr Stanhope**—Well, I am saying that I cannot verify that, but I would suggest that competition is less in regional Australia than in metropolitan Australia. That suggestion may well be right, but I would like to check it.

**Senator MACKAY**—Okay. Minister, do you think that Telstra should not be in the business of building telephone networks?

**Senator Alston**—Essentially I think the way Telstra conducts its business is a matter for it. It is interesting that Coca-Cola is not in the business of bottling. It is in the business of protecting its intellectual property and marketing. Take a business like Cisco. Even though we think their labels are attached to every switch and router around the world, they do not make them. I think there are 32 manufacturers of them. As I understand it, Telstra has for some years commissioned both Leightons and Skilled Engineering to conduct construction activity, and presumably it makes a judgment about which is the more productive route to follow. Many companies are faced with those decisions.

**Senator MACKAY**—So the government is not intending to have a view in relation to the proposed sale of NDC? It has not to date, other than to presumably assent by silence.

**Senator Alston**—Well, can I say this: the assets of Telstra are owned by Telstra, and the disposal, acquisition or restructuring of those assets is a matter for the board. Telstra can create new divisions or units and abolish existing ones. It can make any other arrangements

that it sees fit. In fact, as I said in a letter to the editor the other day, the treatment of NDC is solely a matter for Telstra, as has been the case with numerous other businesses that Telstra has acquired or divested since it was corporatised in the early 1990s when Kim Beazley was minister.

If you want me to go through a list of all the things that were disposed of during Mr Beazley's watch, we had the sale of shares in Mitec in 1992, we had the dissolution of OTC, we had the liquidation of US based QPSX Communications in 1993, we had the divestment of a holding in Telebase Systems Inc. USA in 1993, we had the sale of a 78 per cent interest in Uninet SPZO—presumably that means Pty Ltd—in Poland in 1994, we had the intended disposal of Telstra's shareholding in National Registries Pty Ltd, divestment of shareholding in PacRim Financial Network Pty Ltd, withdrawal from the Philippines Investment International Communications Corporation—and basically on it goes.

Telstra, like all other major companies, has to make decisions about performing and non-performing assets, and it has made those decisions unimpaired by intervention from governments of any persuasion. Indeed, your government was out there more than happy to promote outsourcing of Telstra to IBM, as I recall it, about five years back. There has been no instance that I am aware of, where anyone, including Mr Beazley as communications minister, ever told Telstra that it should or should not dispose of its assets or, indeed, should or should not acquire assets.

It would be, I think, a classic paralysis on the company if you were to go down the path that I see you are currently espousing, that we should somehow order Telstra not to proceed. Labor never said that in relation to any assets when it was in government. It has not said this in relation to NDC, the disposal of which was flagged I think 11 months ago. This is clearly a pre-election stunt. I would have thought that if you really want to impact on the share price of Telstra then you should just spell out those sorts of situations in which you would intervene against the commercial interests of the company, and therefore as a means of reducing shareholder value, and specify those transactions that you regard as acceptable and those that you do not regard as acceptable.

**Senator MACKAY**—Thanks for that gratuitous advice, Minister. If any of us around this table are ever sitting in your seat we might do that, but this is an estimates hearing, where we ask you questions.

**Senator Alston**—I am happy to be able to give you a comprehensive answer.

**Senator MACKAY**—Good. The sale of NDC will have a particularly deleterious effect, I allege, with respect to regional Australia.

**Senator Alston**—Where did you get that from?

**Senator MACKAY**—Essentially from what happened before in relation to Mr Stanhope—and you in fact agreed with me—that there had not been a diminution of demand in regional Australia, which we are yet to establish. If there is a diminution in demand in regional Australia, I would like to know about it.

**Senator Alston**—Demand in relation to what? The construction of networks?

**Senator MACKAY**—In relation to the construction of network, correct.

**Senator Alston**—Demand by whom? By Telstra?

**Senator MACKAY**—No, by the customers, Minister.

**Senator Alston**—The customers want services.



**Senator MACKAY**—So they do not want their network?

**Senator Alston**—They want networks upgraded. They want alternative technologies.

**Senator MACKAY**—Are you aware that there are cables running across the ground in regional Australia? Are you aware of that?

**Senator Alston**—Yes. You mean above the ground instead of below the ground?

**Senator MACKAY**—Yes. Do you regard that as a satisfactory situation?

**Senator Alston**—I certainly do not know the circumstances of it, but if they need to be put underground, then presumably they will be put underground.

**Senator MACKAY**—How can they be put underground when there has been a \$500 million cut to Telstra's capital budget and NDC is being sold off? You are just sitting there doing nothing about it in relation to regional Australia.

**Senator Alston**—As I understand it, you have said nothing on this subject in aid of your current grandstanding for the last 11 months. Is that right?

**Senator MACKAY**—We have said you should intervene.

**Senator Alston**—You might have said in the last week that for the first time ever, as I understand it, in the history of Australia a government ought to use its power of direction in a specific form. You never used it when you were in government. You have come out and said that in the last week. Is that right?

**Senator MACKAY**—Yes.

**Senator Alston**—For 11 months you sat there with no complaints about what was proposed in relation to NDC. You had no concerns about rural and regional services.

**Senator MACKAY**—Hang on. I am going to ask these questions. What has emerged in the last couple of weeks, Minister, is that NDC have flagged another 3,000 redundancies in relation to its business, preparatory to the sale. That is what has happened. Now, my question not to you but to Mr Stanhope is: are the redundancies going to occur before the sale proceeds? What is the time line for those redundancies? What is the actual quantum?

**Mr Stanhope**—First of all let me say that those sorts of numbers, of 2,000 and 3,000, are sheer speculation and I do not know where they have come from.

**Senator MACKAY**—Well, what is the answer?

**Mr Stanhope**—It is certainly not a number that is endorsed by management in Telstra.

**Senator MACKAY**—Well, what is the number?

**Mr Stanhope**—There is no set number of redundancies for NDC and there is no decision being taken about any restructure of NDC pre sale or post sale.

**Senator MACKAY**—So are there any further redundancies to come?

**Mr Stanhope**—There may well be.

**Senator MACKAY**—Are there or are there not?

**Senator Alston**—Can we just be clear on this? Is your position that if NDC were to remain permanently in the ownership of Telstra you would nonetheless not want it to make commercial judgments and decisions? Is that right?

**Senator MACKAY**—If we win government, you can come and ask us questions. This is my estimates time.

**Senator Alston**—So you do not have a position? They do not have a position. All right. If you are not engaged in a serious debate, if you are simply about whipping up a scare campaign, then you will get no information.

**Senator MACKAY**—What, from you or from Telstra?

**Senator Alston**—Well, you will get the information you deserve.

**Senator MACKAY**—But it is not your place to determine what information I get from Telstra; it is Telstra's place.

**Senator Alston**—And you are not in a position to require Telstra to disclose commercial information, and certainly if it is to be used by you for scaremongering purposes I would have thought the last thing Telstra should be doing is provide any level of detail beyond the bare minimum.

**Senator MACKAY**—In relation to the ongoing redundancy program in NDC, what I want to know is: are you ruling out a further round of redundancies, Mr Stanhope?

**Mr Stanhope**—No, I am not, because—

**Senator MACKAY**—Is that correct?

**Mr Stanhope**—That is correct. Because, like any business, NDC is volume driven and commercially driven. The management of NDC have to make normal decisions—

**Senator Alston**—You are obsessed with employment levels. We are obsessed with quality of service outcomes. Not only do we not want to see any reduction in services in rural areas, we are actually very pleased with the fact that all of the independent assessments by the ACA and others show that the quality of service has increased over the last few years and we want that to continue. That is our bottom line. You make—

**Senator MACKAY**—You try telling that to regional Australians.

**Senator Alston**—You may have a union driven agenda in relation to jobs. We are actually more interested in consumers and the quality of service that they receive.

**Senator MACKAY**—I am not going to engage in an argument with you. You are not ruling out a further round of redundancies?

**Mr Stanhope**—I cannot.

**Senator MACKAY**—No, I understand that. That is fine. Good.

**Mr Stanhope**—And I have told you why.

**Senator MACKAY**—You are saying that figures of 2,000 and 3,000 are fantasy?

**Mr Stanhope**—Sheer speculation.

**Senator MACKAY**—Not fantasy, sheer speculation?

**Mr Stanhope**—They are numbers that are not from Telstra.

**Senator MACKAY**—They are not from Telstra. There has been advice provided about a further round of redundancies to NDC; is that correct?

**Mr Stanhope**—That is correct, and it was 250.

**Senator MACKAY**—There has been a further round advised in relation to NDC, or are the 35 in Tasmania a proportion of the 250?

**Mr Stanhope**—I would expect they are part of the 250, because there has been no further announcement than that 250?

**Senator MACKAY**—Okay. So the 35 that have been formally advised in Tasmania are 35 out of 250; is that correct?

**Mr Stanhope**—It could well be. I do not know the regional breakup. They must be, because—

**Senator MACKAY**—They must be?

**Mr Stanhope**—Yes, because there have been no more than the 250 announced.

**Senator MACKAY**—So where are the other 250 coming from?

**Mr Stanhope**—Around the rest of Australia. I do not have a regional/metropolitan split.

**Senator MACKAY**—That is a very disingenuous response. I would like some figures, please.

**Mr Stanhope**—Okay—when we know the precise program. Of the 250, not too many of them have left the company yet. This was an announcement back in January, I think it was. So not all of the 250 have left the company. The redundancy program is not precise, but I will certainly try and get you the information.

**Senator MACKAY**—So you are seriously contending that Tasmania's share of the 250 round is 35?

**Mr Stanhope**—It could be.

**Senator MACKAY**—I do not want 'could' or speculation. Is it or isn't it?

**Mr Stanhope**—Let me take it on notice and I will tell you precisely.

**Senator MACKAY**—Does anybody here know?

**Mr Stanhope**—No.

**Senator Alston**—You are not entitled to know prematurely.

**Senator MACKAY**—Do you know?

**Senator Alston**—No, I do not know.

**Senator MACKAY**—You have got no idea?

**Senator Alston**—We do not run their business for them.

**Senator MACKAY**—No, you are just the majority shareholder.

**Senator Alston**—I am very interested to hear that your policy is to use the power of direction to require Telstra to do things that might be uneconomic.

**Senator MACKAY**—I am glad you are very interested in that.

**Senator Alston**—I think others might be, too.

**Senator MACKAY**—Good for them.

**Senator Alston**—They will be making decisions in due course.

**Senator MACKAY**—What we are about is protecting the interests of—

**Senator Alston**—Unionists. Yes, I understand that.

**Senator MACKAY**—customers and people in regional Australia particularly.

**Senator Alston**—But we are actually interested in protecting the interests of consumers and we are in the business of making sure that you get quality outcomes.

**Senator MACKAY**—It is very obvious you are attempting to talk the time out, I have to say.

**Senator Alston**—No, I am not.

**Senator MACKAY**—It really is beneath what I have expected from you.

**Senator Alston**—If you are going to swan in here and do a bit of grandstanding you will get the response.

**Senator MACKAY**—We still have got all of the IT and the department to go.

**Senator Alston**—I understand your very legitimate concerns.

**Senator MACKAY**—Stop waffling, answer the questions and we will get on with the next program.

**Senator Alston**—We have had 12 hours. I cannot help it if you allowed Senator Schacht to waffle on for hours.

**Senator MACKAY**—Stop indulging yourself. You are trying to talk out the time. That is extremely self-evident. The time line for the proposed sale is the end of March with a total wrap up by the end of this financial year.

**Mr Stanhope**—That is what we are aiming for.

**Senator MACKAY**—Can I just ask: what is an E71?

**Mr Stanhope**—An E71 is an advice where there is a repair or a defect or something that needs to be done somewhere in the network or a street. That is what it is. It is a repair notification or a damage notification.

**Senator MACKAY**—And how many E71s are there in Australia?

**Mr Stanhope**—Several thousand. I would not know the precise number.

**Senator MACKAY**—There was a report in the *Mercury* in Tasmania recently in relation to an E71 that covered the whole of Tasmania. That report indicated there were approximately 3,587 faults in the network in Tasmania.

**Mr Stanhope**—'Faults' is probably not the right word—repair conditions or—

**Senator MACKAY**—These are, as I understand it, faults that are in fact reported by the technicians themselves rather than customer complaints. Is that a fair assessment?

**Mr Stanhope**—Yes, that is a fair assessment.

**Senator MACKAY**—And some of them, as I understand it, date back to 1995 and 1996?

**Mr Stanhope**—Yes, some do.

**Senator MACKAY**—What I would like, Mr Stanhope, is a copy of all of the E71s in Australia.

**Mr Stanhope**—Okay.

**Senator MACKAY**—Okay?

**Mr Stanhope**—Yes.

**Senator MACKAY**—In relation to that, we would like analyses of each E71 by the number of complaints or potential faults, whatever term you want to use, that are in the E71 and the dates from which they refer?

**Mr Stanhope**—So you want the date it was reported?

**Senator MACKAY**—Yes, and an analysis of the data as well.

**Mr Stanhope**—And what it is?

**Senator MACKAY**—And what it is, yes.

**Mr Stanhope**—Okay. Date reported and if, for example, it is a broken pit lid or whatever it is.

**Senator MACKAY**—Yes, and the number and what dates, that is, how many faults have been reported in each of the E71s and also when they date from?

**Mr Stanhope**—Sure. I understand.

**Senator MACKAY**—As I understand it, there was a bit of consternation within Telstra in relation to this article in the *Mercury*. What action did Telstra take in relation to this?

**Mr Stanhope**—What did we take in relation to this?

**Senator MACKAY**—What action did you take?

**Mr Stanhope**—I do not know what precise things happened in Tasmania. But with respect to the management team, we look at the E71 situation all the time. Some of these things need to be repaired quickly, some do not need to be repaired quickly.

**Senator MACKAY**—Sorry, what action did you take in relation to the leak to the *Mercury* of the E71s?

**Mr Stanhope**—There would have been the normal sort of investigation as to where it might have come from. But I do not know the details of that. We do not have any corporate affairs people here. But I can give you a precise—

**Senator MACKAY**—That is fine. The Tasmanian E71s, just going off the newspaper report, indicated about 3,587 faults. What would be the total in Australia?

**Mr Stanhope**—I do not know. But if you took that as an example it is quite a lot of thousands—between 10,000 and 20,000.

**Senator MACKAY**—Between 10,000 and 20,000 faults are awaiting repair? It is a bit odd that the capital works budget was cut so substantially, but, anyway—

**Mr Stanhope**—You have to remember that these are non-customer affecting faults—

**Senator MACKAY**—Non-customer affected?

**Mr Stanhope**—Yes, and repair conditions. Of course, we make sure customer service is continuous and we repair them as quickly as we can. We have customer service guarantee requirements and we meet all those.

**Senator MACKAY**—Given that some of them date back to 1985 and it is now 2001, I guess we live in hope?

**Mr Stanhope**—It might be a crack in the corner of a pit lid.

**Senator MACKAY**—Some of them are much more substantial than that, if you care to have a look at it. Is there any plan to sell—

**Mr Stanhope**—Sorry to interrupt you, but just to pick up the point you made, most of that work will be maintenance work and it is not part of the capital expenditure program, in any case.

**Senator MACKAY**—However, the people who are currently employed by NDC prior to the corporatisation often were deployed in relation to maintenance work; is that correct?

**Mr Stanhope**—Not many. Primarily the construction business—NDC's business—is interexchange network. Another part of Telstra does distribution, network maintenance and installation, as do a lot of contractors.

**Senator MACKAY**—What section is that?

**Mr Stanhope**—Sorry? What section is that?

**Senator MACKAY**—What other part of Telstra is that?

**Mr Stanhope**—It is called the National Network Solutions Group, which is really the Access Network Group that does activations, any installations and maintenance.

**Senator MACKAY**—What does Telstra have in store for the National Network Solutions Group?

**Mr Stanhope**—We are trying to make that group as efficient as possible. In fact, it has now come together as one unit. It was a diverse group. It is now part of the infrastructure service group. It is already operating more efficiently. We are at this point trying to get it as efficient as possible. We have not made any other decisions about that group.

**Senator MACKAY**—So are you ruling out the potential sale of the National Network Solutions Group?

**Mr Stanhope**—It could happen one day. I cannot rule out any structural possibility for Telstra. As the minister said, we try to do things in the most cost-effective way. But right now our objective is to make that group as efficient as possible, and it is performing quite well.

**Senator MACKAY**—And you are not ruling out the sale of the NNSG?

**Mr Stanhope**—No, I cannot rule out that possibility.

**Senator MACKAY**—That is it. I have a lot more, but I am cognisant that Senator Lundy wants to ask some questions.

**CHAIR**—Can we get your questions on notice, Senator Mackay, if you have them in a typed form? I think we have to have them by the 21st.

**Senator LUNDY**—Can I place a couple of questions on notice for Telstra before they leave? It relates to the Northern Rivers region of Australia in the north-east corner of New South Wales. I would like to request from Telstra universal service obligation reports, the number of faults, average repair times, et cetera, including something known as the Telcat stats for the consumer access network of those regions? I ask that because I know that a group of Telstra users in that area has been trying to get that information and effectively lobbied Telstra, as I understand it, for an audit of the telecommunications services provided by Telstra in that region. They are having a great deal of difficulty getting that information from Telstra, as I understand it. So I would like to put that on notice here with the hope of assisting them.

**Mr Stanhope**—Okay.

**Senator LUNDY**—That is all for Telstra.

**CHAIR**—Thank you very much. We will see you again in May no doubt. Now we move to Information Technology.

[9.19 p.m.]

**Department of Communications, Information Technology and the Arts**

**Senator LUNDY**—I would like to ask some general questions first.

**CHAIR**—So who would you like?

**Senator LUNDY**—Outcome 2, the department. The questions I have relate to the department's role in the innovation statement and what the department has carriage of with respect to that statement.

[9.20 p.m.]

**Outcome 2—A competitive and sustainable advantage in the global information economy**

**Mr Stevens**—The department was one of a number of departments involved in preparing advice to the government on the innovation statement in the lead-up to the statement. NOIE was involved, the department was involved as well as the industry department, of course, DETYA and a range of other departments.

**Senator LUNDY**—So when some questions were asked of the industry department the other day regarding the policy direction in the information and communications industry sector, they were referred to you. So is that you?

**Mr Stevens**—Please, go ahead.

**Senator LUNDY**—The issue of the general statistics relating to the decline in the information communications manufacturing sector are well known. I wanted to ask you specifically what you could point to in the innovation statement that is aimed at reversing that trend of decline in that particular sector.

**Mr Stevens**—I think there is a range of initiatives in the innovation statement which will be of great benefit to the ICT sector. I think first and foremost the centre of excellence in regard to research in ICT is an opportunity for a world class research centre to be established in this country. I think it will provide a focus for ICT research in this country. There is a great deal of international evidence that suggests that, if you do get leading edge research, then you get spin-offs in terms of the industry itself, you get clustering around that leading edge research and you get a greater attraction to get high quality researchers into the sector, some of whom then move into the private sector over time. I would first and foremost point to that particular initiative as being a very, very significant and substantial initiative.

Secondly, the premium tax concession would be a benefit to a range of other firms. The tax credit for R&D would also be of significant benefit to the ICT firms. A continuation of the ITOL will be a benefit, I believe, to industry's use of ICT.

**Senator LUNDY**—That is a little separate from what I am asking, though. I certainly appreciate there is a range of initiatives, but I am actually looking for—

**Mr Stevens**—I have not actually finished. There are quite a few more initiatives as well.

**Senator LUNDY**—Can you try to focus on the ones that are specifically aimed at growing or reversing the trend in the manufacturing area.

**Mr Stevens**—I think I was, actually, in talking about those initiatives. I was trying to explain the connection between leading edge, for example leading edge R&D, and the growth of the industry sector. There is a lot of international evidence that shows that if you can have leading edge research conducted in this country, there are spin-offs into the manufacturing area. I can give an example—

**Senator LUNDY**—What are you specifically doing for the manufacturing sector? You are citing a whole series of, I suppose, general initiatives—

**Mr Stevens**—One very specific area is the increase in the—

**Senator LUNDY**—I have read the report, too, so I do not really want you to read out the innovation statement to me. I am very familiar with it. I am trying to get inside that a little.

**Mr Stevens**—I think the increased expenditure on graduates in ICT is going to be of great benefit to industry. One of the concerns industry has is skilled labour. That is certainly a great benefit to industry. The changes to the immigration arrangements, again, are going to help source high quality workers to this industry. I think they are of great benefit to this industry at a time when many commentators have been arguing there is a skill shortage. That is one of the constraining factors on the growth of the industry.

**Senator LUNDY**—The production of packaged software in Australia fell by 43 per cent over recent times and the production of manufactured IT&T goods fell by some 24 per cent. Can you identify any targets or specific goals that you have to reverse that trend?

**Mr Stevens**—We have actually done some work on those figures. It might be useful if I ask Dr Badger to speak to them in the first instance.

**Senator LUNDY**—Sure. I guess what I am looking for, Dr Badger, is whether or not the department has identified a specific goal with respect to reversing those trends, because it certainly did not show up in any specific statement in the innovation area.

**Mr Stevens**—Just before I ask Dr Badger to comment, it is not just innovation statements that are important to growing this industry. Innovation statements are part of a range of government initiatives to grow the industry. For example, the BITS program which we have talked about in the past. It is a very important part of trying to grow firms in this industry. So I do not believe that you can look at, in isolation, the innovation action plan and say that that is all the government is doing for this industry. It is not. There are very significant initiatives that we can point to in regard to the BITS program, in regard to the taxation changes for venture capital, which are integral to the growth of ICT—

**Senator LUNDY**—Then the answer to the question is that there is nothing in the innovation statement to that; you have got to look elsewhere?

**Mr Stevens**—I actually went through a number of quite specific initiatives in the innovation statement which will lead to growth in the ICT sector. So I do not really accept the statement.

**Dr Badger**—I think the important thing about manufacturing in the IT sector is that it is a very high R&D intensive sector and any proposals or any action that is taken to improve R&D in that sector, almost by definition, is going to improve the efficiency and outcomes from the IT&T manufacturing sector. That is one of the defining characteristics of an IT&T sector, its high level of R&D.



**Senator LUNDY**—Have you set specific goals in light of that trend analysis of that decline to reverse it; that is, have you said, ‘We want to stop that trend decline; we want to turn it around; we want to have growth in those sectors after the next year’? We have not heard anything explicit about turning those trends around. Although I take your point, Mr Stevens, that there is a lot of general framework style initiatives that, no doubt, will have an impact, I am asking you if you have specifically identified those areas as setting some goals.

**Mr Stevens**—I think the minister has said on many occasions that he sees those areas as very important and, indeed, has spoken on a number of occasions about those measures which will increase activity in those areas. So I think that is on the record.

**Senator LUNDY**—Okay. But have you set any goals to specifically reverse the trend?

**Mr Stevens**—The goal is to grow the industry.

**Senator LUNDY**—So is the government committed to reversing the decline in those sectors?

**Mr Stevens**—The government is committed to growing the industry. I do not know how much clearer I can be. Quite clearly, growing the industry means just that: growing the industry.

**Senator LUNDY**—It is shrinking at the moment, so you have got to stop it from shrinking before you can grow it.

**Mr Stevens**—I think we will see some significant growth in this industry in the next couple of years.

**Dr Badger**—I think that one thing that I should comment on are the statistics on IT&T exports. You have mentioned particular parts of the industry, like package software, or whatever. I think one of the things that we have to understand is that there can be various trends in what is the most profitable part of the IT&T sector at any particular point in time. You will see changes in the total export composition over time, which simply reflects the nature of profitability in the industry. Package software is only one small part of the software industry. You may find that, given the fact of endowments in the Australian IT&T sector, the best place for people to put investment is in operating software, major systems software, et cetera.

The other thing on the IT&T exports stats is that what the stats tell you really depends on a comprehensive view of all the various components brought together and what things you include in any particular bundle of stats. We have done analysis, for example, when we see newspaper headlines about huge declines in something. You go into them and you find that somebody has picked up some statistics which actually have left out some of the major growth areas in the Australian industry over recent times as that industry has evolved.

**Senator LUNDY**—I guess, though, the point here is that these statistics are trend statistics, not point-in-time statistics—

**Dr Badger**—No, I think it is also true—

**Senator LUNDY**—that were identified. So I think that you are contradicting yourself there. I am making the distinction about what is important and what is a growth sector at any particular time. Is the government still of the view that it is more important to be a user of technology than a producer of technology?

**Mr Stevens**—I think both are very important. Quite clearly, being a high, leading-edge user of technology is very important for the efficiency of a range of our industries in this

country. Equally, I think that, by the measures that I have actually spelt out tonight, the government is committed to growing the sector as well. It does not have to be an either/or.

**Senator LUNDY**—No, I certainly do not think that it has to be either/or. But what I am questioning is the commitment to actually growing the producing side of the ICT sector.

**Mr Stevens**—I can only go through the issues. I meant to. I think that they are significant issues of the last few years which are, in my experience, the most significant initiatives in this industry that I have seen for a long while.

**Senator LUNDY**—I think some industry analysts recently stated that there were few opportunities left to rebuild any significant computer hardware manufacturing capability in Australia. How is the innovation statement designed to give such a sector the support that it would need to grow?

**Dr Badger**—I do not think that there is much else we could say except what we have said already. The manufacturing sector in IT&T is one of those sectors which is heavily dependent on R&D as its source of growth. If you put investment encouragement into supplying the skills and supplying a tax incentive for R&D, then you are, if you like, pinpointing the critical growth element of that sector. If you link that with all the other things that the government has done, including a whole range of things that the industry associations in those industries have been asking for a number of years that have been included over the package of venture capital changes, capital gains tax changes, you have created the environment and the incentives for the manufacturing sector in Australia to take its base and grow. I do not think that there is anything else we can add to that.

**Senator LUNDY**—I think that you are right: I do not think that there is much in it for them at all.

**Mr Stevens**—That is not what we are saying.

**Dr Badger**—That is not what I am saying.

**Senator LUNDY**—In terms of the software and digital content sector, can you tell me what strategies you have in place to not just grow that sector but to counteract what is obviously going to be a period of increasing competition, given the growth in other countries within that specific sector?

**Mr Stevens**—Certainly, that competition, I think it is global competition and it has been for some time. I think that we would certainly agree with that. Again, there are a number of programs that I can point to. I can certainly get someone to come and talk about the software engineering program, which is designed to help that sector specifically. It has been there for a couple of years now.

Again, I think the issues that I talked about earlier about capital for this sector, these are generic issues which are very, very important to the growth of these industries. The point that Dr Badger has made is that when we talk to industry associations, their concern to us tends to be—going back some time: ‘We need to get more venture capital. We can grow if we get the capital.’ Those changes have now happened and there is now a lot more venture capital in this country. These are the issues that they came to us about and these are the issues we have responded to. They have not been looking for firm-by-firm handouts; they have been looking for institutional changes which will create the conditions for growth, because they believe that there is innovation in this country—there are the people in this country to grow it. What they are looking for in many cases is the assistance at the start-up level, assistance to

commercialise research and development from the universities and assistance to gain access to capital. This is what has been done.

**Senator LUNDY**—How does that relate to what has been perceived by industry and experienced by industry as the disabling effect of the datacasting legislation on the growth of that digital content industry? Do you have any specific strategies in place to counteract those?

**Mr Stevens**—I am not sure that we would accept that the datacasting regime is having tremendous effects on industries here.

**Senator LUNDY**—You would at least accept that that is the prevailing view in that particular part of the sector.

**Mr Stevens**—I am not sure that that is the prevailing view. I believe that even the evidence today of the number of bidders for datacasting spectrums is pointing to some interest in this sector. There are some people who put this view forward and others who have not.

**Senator LUNDY**—I just worry what the industry is going to say when they read those comments, because they will interpret that as the department not having listened to a word they have said. I think that it was a reasonable supposition to make. The question still stands: what are you doing specifically about the digital content industries to stimulate growth in that area remembering, of course, that in every other major economy, the ICT sector, both in the manufacturing of products and the creation of services, has been the major growth sector for a number of years. Australia is one of the few that is experiencing decline in some key aspects of that sector.

**Mr Stevens**—I think we have addressed that aspect earlier. But again, there are many opportunities for growth in this sector. The multimedia sector is growing significantly in this country. There is growth in this area. There are an increased number of firms who are growing. There is certainly growth.

**Dr Badger**—If you look at a range of programs which concentrate on content per se, without in any way reducing the importance to the content based companies of the generally available measures, which are critical, the general requirement for innovation in the tax climate is critical to these content based companies. There is a range of programs that, if you like, focus on the much more traditional content things coming out of some of the film agencies, for example—that side of things. But that is part of the total package of programs and general support that is available. For a start-up content company or digital content company the BITS program, which gives it access to a combination of capital and expertise, is one of the things that is going to make it work or not.

**Senator LUNDY**—With the combination of backing Australia's ability, investing for growth and you mentioned BITS and so forth, what strategies does the government have in place to benchmark industry now with a view to assessing performance of these strategies over a period of time?

**Dr Badger**—There is a series of benchmarking activities that already takes place within NOIE. There is a thing called the state of play, which is a measurement of a total range of measures about the information economy. In addition, if you look at what occurs in the Industry portfolio, there is a range of science and technology measures and industry production measures. Over time we continue to track the impact that these programs have on the industry as a whole. It is going to be very difficult, given the nature of the discussion we have had and the approach that we believe is important for this industry, to be able to separate out the impact of a particular program. All you can do is look at where the sector is going

over time. We have the wherewithal to do that. We are constantly looking at ways by which we can learn from international benchmarking activities. There are activities on benchmarking in this general e-commerce and related area in APEC that we monitor and we are looking at putting similar sorts of situations in place in Australia.

**Senator LUNDY**—Has the department done any modelling on the potential impact of importing changes on Australia's local software industry? The changes to—I cannot recall what it was called.

**Mr Stevens**—Parallel importing changes?

**Senator LUNDY**—Parallel imports of software?

**Dr Badger**—I cannot remember.

**Mr Stevens**—I honestly cannot be sure. That is going back a while. I will have to take that question on notice and give you an answer to that.

**Senator LUNDY**—Are you doing any modelling or have you done any research on why the industry has declined in the sectors I mentioned earlier, such as the manufacturing area, packaged software and so forth?

**Mr Stevens**—I think we certainly have done some work on it. Dr Badger was actually talking about some of the results of that work, which is a changing nature of the sector.

**Senator LUNDY**—Sure. It is a very specific sector. It was a very specific question. I know that. I actually want answers as to whether you are doing anything to address that specific decline in that part of the industry. I am sure you will appreciate and agree how important a sector it is for a whole range of reasons, regardless of its relative size or growth potential.

**Mr Stevens**—I can only talk to some of the general measures we have done and refer you back to our earlier answers.

**Senator LUNDY**—You mentioned the world class centres of excellence as one of the aspects of the innovation statement that the department has carriage of. Is it you or NOIE—

**Mr Stevens**—I did not say that. I said that they are one of the aspects of the innovation statement which is important to the ICT industry.

**Senator LUNDY**—Do you have carriage of implementing any of the specific initiatives arising out of this statement?

**Mr Stevens**—A joint task force from NOIE and the department has been set up to actually implement the centre of excellence proposal. It cuts across both areas. We are working together to implement it.

**Senator LUNDY**—Can you tell me some details about how the, I think it was, \$176 million identified for the world class centres of excellence is to be allocated across the out years?

**Dr Badger**—We can certainly give you that figure on notice.

**Senator LUNDY**—The minister might know.

**Mr Stevens**—He is not sure, either. We will have to check what has been published.

**Senator LUNDY**—Is any of it going to be spent in the next couple of years?

**Mr Stevens**—Yes.

**Senator LUNDY**—Do you not have anyone here with that information? I have a heap of questions about that. I feel deprived already.

**Mr Stevens**—We will check to see if we can find someone who does have those published figures.

**Senator LUNDY**—In the meantime, the minister—

**Senator Alston**—It is \$129.5 million for the ICT centre of excellence and \$46 million for the biotech one.

**Senator LUNDY**—Thank you for that. I was wondering what the story was there.

**Mr Stevens**—I have just been handed some figures which are published figures, I am told: for 2001-02, \$4.5 million; for 2002-03, \$8.75 million; for 2003-04, \$12 million; for 2004-05, \$17.75 million; for 2005-06, \$24 million.

**Senator LUNDY**—Sorry, what was the last one?

**Mr Stevens**—It was \$24 million. Then there is ARC funding, which is in addition to that, which is also diverted towards the ICT centre of excellence. That is \$8.75 million in 2002-03; \$12 million in 2003-04; \$17.75 million in 2004-05; and \$24 million in 2005-06, which brings total government funding over the five-year period to \$129.5 million.

**Senator LUNDY**—Can I just clarify that second lot of figures? Was that on the supporting investments in major national research facilities?

**Mr Stevens**—No, that is money for the centre of excellence which is being provided through the Australian Research Council.

**Senator LUNDY**—I see. Sorry.

**Mr Stevens**—It is just the one centre. You have to add those figures up to get to the total size of the government contribution to the centre.

**Senator LUNDY**—Okay. I think I understand. Out of the \$129 million for the ICT centre of excellence, a proportion of which comes directly from the ARC—

**Senator Alston**—It is basically almost a fifty-fifty split.

**Senator LUNDY**—Sorry, what was the total of the ARC money?

**Mr Stevens**—It was \$62.5 million.

**Senator Alston**—So you have got \$67 million from DOCITA, \$62.5 million and, apart from year one, when our department puts in \$4.5 million and the ARC does not put in anything, the amounts are identical in the four out years.

**Senator LUNDY**—So DOCITA is putting in that \$62 million?

**Senator Alston**—Sixty-seven.

**Senator LUNDY**—Sorry. Where is that money coming from in terms of the department's budget? Is that an additional allocation that will be forthcoming in this year's budget?

**Mr Stevens**—That is new money.

**Senator LUNDY**—New money?

**Mr Stevens**—Yes.

**Senator LUNDY**—I bet you are pleased about that.

**Mr Stevens**—It makes it easier.

**Senator LUNDY**—I am sure it does. Just to clarify this, in terms of the \$62.5 million coming from the ARC in the innovation statement you talk about doubling ARC money. I am presuming there is not a double dip here and the \$62 million from the ARC is not additional to the doubling of the ARC money that you have identified but inclusive. Do you see what I am saying?

**Senator Alston**—Yes, I do. It had not occurred to me that it was. But we can check it for you.

**Senator LUNDY**—Because it would be a more than just a little misleading if you are saying, ‘Yes, we are doubling ARC and we are doing this \$129 million’, but half the money was in fact already announced in the doubling of the ARC budget. So you do not know?

**Senator Alston**—There is no point in giving an off-the-cuff reaction, except to say I did not think—

**Senator LUNDY**—You could give someone a windfall if you say the right thing.

**Senator Alston**—I do not know. That was not my impression. You could imagine a basis on which you could say that, but I do not think that is the case.

**Senator LUNDY**—Does the biotechnology centre of excellence operate on a similar formulation of half departmental and half ARC money?

**Senator Alston**—It is not in this portfolio.

**Mr Stevens**—I do not have the detail with me. It is in the innovation statement.

**Senator LUNDY**—When we raised a lot of these questions in this area with Industry, the minute the acronym ICT came into it they said, ‘You can’t ask us anything. Ask them.’

**Mr Stevens**—That is why we are trying to answer the ICT questions.

**Senator LUNDY**—Yes, I know. I appreciate that. I just made the point, because it is a bit confusing. Is it possible for you to take that question on notice about the biotech centre of excellence and get back to me?

**Mr Stevens**—I think we should give you a comprehensive answer. That is the safest way of doing it.

**Senator LUNDY**—That would be wonderful. Thank you, Mr Stevens. Turning to the \$155 million to support investments in major national research facilities, Mr Stevens gave the impression that it is a separate initiative again as part of the innovation statement.

**Senator Alston**—Yes.

**Senator LUNDY**—Does this department have involvement or carriage or a role in determining how that money is spent in any way?

**Senator Alston**—I do not think so, no, except in terms of general implementation. I am on a committee of ministers that will be looking at all of these, so presumably we will do the final sign off, but I do not think we are involved from the ground up on that one.

**Senator LUNDY**—Good. I will ask you a couple of questions about it then, if I may. The initiative says it is to support investments in major national research facilities. Forgive me, but there did not seem to be too much more detail in the innovation statement than that. From a policy perspective, do you see that money being spent as encouraging international companies such as major national research facilities or have you identified it to be specific support to

grow existing businesses in Australia such as national research facilities? You can appreciate the point I am trying to make here.

**Senator Alston**—The only thing I am really aware of that might be relevant to that particular bucket of money is the proposed synchrotron, which is a particle accelerator. Both Melbourne and Brisbane are separately urging the government to fund the synchrotron. You can point to most other countries who already have them and some who have more than one. We actually have an input into work being done offshore because we do not have our own. So that sounds as though it would be a prime candidate. Beyond that, I do not know.

**Mr Stevens**—I have the relevant section in front of me. If you could ask the question again, I might be able to read out the answer to you.

**Senator LUNDY**—I was just looking for some general policy direction about the sorts of companies that would benefit from an investment by the government in their major national research facility. Is that money going to be used to create incentives for new investors, potential investors or multinational corporations wanting to invest in Australia, if you see what I mean, as opposed to growing our local means?

**Senator Alston**—I do not think it is meant to be a bit of assistance to a whole bunch of companies. I think it is identifying new projects such as the quantum computer. Instead of having to cobble together a few million dollars from each of three or four departments, you would say that that is a major new research facility and we are going to put funds into that. We have some world-class institutions. They might want to set up brand new whatever they might be that are very expensive.

**Senator LUNDY**—Can you give a guarantee that that money is not in any way identified to offset tax burdens of new investors in Australia or anything like that?

**Senator Alston**—No, it is for major research facilities.

**Mr Stevens**—It is for infrastructure, laboratory facilities and research equipment for universities.

**Senator LUNDY**—So no offsets as part of that money?

**Senator Alston**—No. I think what Mr Stevens is saying is that it is more likely to be public sector than private sector.

**Mr Stevens**—Absolutely. It will essentially go to the universities to assist basic research facilities to build up those facilities.

**Senator LUNDY**—Even better. Do you have guidelines prepared or forthcoming with respect to how that will be spent?

**Mr Stevens**—That is not in our program so, again, I cannot really comment. It is a DETYA program I think.

**Senator LUNDY**—Is that likely to come out with the budget?

**Mr Stevens**—Sorry, it is DISR.

**Senator LUNDY**—I will pursue it with them in estimates at the budget, I guess, or wait for a ministerial announcement. You mentioned Software Engineering Australia earlier. I understand that there are software engineering quality centres or something like that under the program. How does that differ from Software Engineering Australia?

**Mr Stevens**—Mr Sutton is the world's expert on this particular program. I might ask him to give you a detailed answer on the particular corporate structures involved in that program.

**Senator LUNDY**—Yes, because I think from memory Software Engineering Australia lost its funding, but then this other thing came on line.

**Mr Sutton**—Software engineering quality centres is the name for the program. Software Engineering Australia is the entity through which the funding is being delivered. The program came out of *Investing for growth* and was in the DISR portfolio. It was transferred to the DOCITA portfolio after the 1998 election. It is fair to say that the structure of the program has changed quite considerably since it was originally conceived. It was originally set up as a series of state nodes of software engineering quality centres in each of the states. The change that you referred to last year is that most of the states have agreed to unincorporate and there is now a single national entity called SEA National which is the body that we are delivering the remainder of the funds to under the program.

**Senator LUNDY**—Does it still have the same sort of role of bringing together in a collective voice a voice for that software sector in the industry?

**Mr Sutton**—Yes. The objectives of the program have not changed. It became apparent that there were issues with the way the program was originally conceived. The new structure with the single national entity has been set up to remove those problems.

**Senator LUNDY**—Is that a euphemism for, ‘It wasn’t working very well so we changed it to make it work better’?

**Mr Sutton**—It was experiencing some difficulties the way it was originally conceived, yes.

**Senator LUNDY**—Has the level of investment by government in that particular initiative been reduced or increased or changed in any way?

**Mr Sutton**—No. The overall size of the funding committed to the program has not changed. What has changed is the way that that funding is being delivered.

**Senator LUNDY**—I am glad you are at the table because I want to ask some questions about BITS. How is the incubator program within BITS proceeding? I know last time we spoke we heard about the 15 companies overall across the different incubators. Can you give me a brief update?

**Mr Sutton**—Yes. I suppose there have been two significant developments since we last discussed this. We have now received the second quarterly reports of the incubators. They were delivered to us at the end of January. In those quarterly reports we are starting to get what we think is quite interesting information coming out about how the incubators are going and the sources of deal flow that they have. The incubators have processed something like a total of 865 applications now, and this is the report covering to 31 December. Of those 865 applications, 36 applicants have been accepted fully into the incubators and are receiving assistance directly through those incubators. That translates to an acceptance rate of about six per cent, which is not dramatically out of line with what we are expecting. A number of the unsuccessful applicants have received benefits from the application process in terms of being educated about business skills, the sort of deficiency that they may have in their operations which meant they were not successful in getting into the incubator.

**Senator LUNDY**—I am sure you were very quick to point out to those unsuccessful applicants all the benefits they have got through going through the process.

**Mr Sutton**—The six per cent figure, as I say, in terms of the experience worldwide with incubators where there is sort of an inverse pyramid, it is not out of line with what we were expecting.



**Senator LUNDY**—When you say not out of line, were you actually expecting a slightly higher acceptance rate or a lower rate, or is it really—

**Mr Sutton**—We did not have any definite figures because all incubation worldwide is different and follows different models, but certainly the idea of an inverse pyramid where the number of ideas you have is very great, the number of ones that are potentially developable in the businesses is narrower and the ones that can actually be turned into successful businesses is much narrower again.

**Senator LUNDY**—Just out of interest, how many were initially ticked off—eight?

**Mr Sutton**—There were 10 mainland incubators that got funded.

**Senator LUNDY**—Out of the 10, how many have got businesses, successful applicants, and are incubating them?

**Mr Sutton**—One of the 10 incubators is yet to receive any funding. Of the other nine incubators seven of them have accepted incubatees.

**Senator LUNDY**—Which one has not got its money yet?

**Mr Sutton**—That is the South Australian incubator, SA BITS.

**Senator LUNDY**—Why is that?

**Mr Sutton**—We have yet to sign the funding agreement with the South Australian incubator. SA BITS is a consortium of basically South Australian government—there is a heavy South Australian government involvement in SA BITS and that agreement to sign that funding agreement needs to go through the South Australian cabinet. That has been a significant delaying factor in signing off that agreement.

**Senator LUNDY**—How come they have such a big involvement? Correct me if I am wrong, I did not think BITS was really pitched at the government sector.

**Mr Sutton**—The program guidelines did not rule out state and territory governments from being involved in applications. In the case of South Australia there was a single consortium. There was only one application for a BITS incubator.

**Senator LUNDY**—So you did not have much choice.

**Mr Sutton**—The selection panel was very comfortable with funding the SA BITS application, but it is a consortium of the Ngapartji cooperative multimedia centre, the Playford Centre, which is an existing incubator funded by the South Australian government, and the business centre, which is an arm of the South Australian Industry Department.

**Senator LUNDY**—I think at least one of those Ngapartji people have been involved in the Liberal preselection, haven't they, Minister?

**Senator Alston**—I do not know. Is that right?

**Senator LUNDY**—I believe so.

**Senator Alston**—All the best to those people who presumably want to get with the strength.

**Senator LUNDY**—He has been a bit preoccupied lately, perhaps; has not been lobbying the mates in the SA cabinet. Have you got a deadline when they have to get their act together before you give the funding to someone else or are you kind of locked in because they were the only South Australian applicant?

**Mr Sutton**—All the details of the funding agreement have been agreed between us and the SA BITS consortium. The only delay has been getting the approval of the South Australian government. So as soon as that approval is forthcoming we are ready to proceed with it. SA BITS has appointed an incubator manager in anticipation of the agreement being signed.

**Senator LUNDY**—Is he being paid yet—she?

**Mr Sutton**—Sorry?

**Senator LUNDY**—Is he or she being paid yet?

**Mr Sutton**—He started work several weeks ago. I cannot say with certainty but I assume he must be being paid from somewhere.

**Senator LUNDY**—I would be a bit concerned if you have not got the documents signed off and they are getting paid—that might be worth checking. Seven of the nine have incubatees. Which are the two incubators that do not?

**Mr Sutton**—The two that do not are the West Australian BITS incubator Entrepreneurs in Residence, or EIR for short, and the Northern Territory incubator ITCINT.

**Senator LUNDY**—What is that one called?

**Mr Sutton**—ITCINT.

**Senator LUNDY**—What is their excuse?

**Mr Sutton**—In the case of the Northern Territory, their funding agreement was signed more recently than the other incubators and they have now appointed a manager and he is now on deck. So that one is proceeding satisfactorily from our perspective. In the case of EIR, the Western Australian incubator, that incubator was launched in I think it was October or November last year. They are proceeding to put all the infrastructure in place to commence the incubator. They have a very highly qualified incubator manager in place but they are yet to get any incubatees. You must remember that these reports expired on 31 December. The period we have got covers 31 December. We know, because we met with them last week, that they are actively working with potential incubatees and doing due diligence on them.

**Senator LUNDY**—Obviously it would be as much an issue of concern to you as it is to me that there has been this delay, particularly when these incubators have people on staff, on salary and no incubatees in place. Do you have a system where you can place pressure, penalise or gee up these incubators, given that they are effectively wasting time? Putting aside the money question, they are wasting time when they could be incubating businesses which is, after all, the intent of the whole exercise. I am being really polite about this; I could be really nasty, but I think you take the point.

**Mr Sutton**—I should clarify, we are talking about the incubators not actually having incubatees in residence. As I say, all of them are actively working.

**Senator LUNDY**—I am sure they are but it has been a long time.

**Mr Sutton**—All of our agreements have milestones in them and they cover the rate with which they are processing and receiving incubatees. If the incubators do not meet those milestones, we will review under the funding agreement when they will receive their next funding instalment.

**Senator LUNDY**—Have any of them not reached agreed milestones to date?

**Mr Sutton**—Well, for all of them we recognise that this year is a setting-up phase, that what is tending to happen is that the incubators are ramping up their operations. So there are

none so far that have fallen what we would regard as a worrying distance behind in their milestones.

**Senator LUNDY**—I will not go into any more detail now, but if you could just take on notice providing me with the number of incubatees for each of the seven incubators that are actually up and running—how many are in each of them. These quarterly reports they provide to you, can you provide those to the committee?

**Mr Sutton**—Actually, I think this was an issue we discussed the last time.

**Senator LUNDY**—I cannot remember ever seeing the reports.

**Mr Sutton**—The reports have not been intended to be public documents.

**Senator LUNDY**—They are not necessarily going to be made public if you provide them to this committee. If they are accompanied with a request, then the committee is in a position to consider the validity of that request of commercial-in-confidence.

**Senator Alston**—It is very enticing, but think carefully.

**Senator LUNDY**—Thank you, Minister. I thought you would be encouraging openness and accountability.

**Senator Alston**—Well, naturally—as much as possible.

**Senator LUNDY**—You know how understanding we are about matters such as commercial-in-confidence. I just make the point that I guess I would like you to consider that.

**Mr Sutton**—We will certainly consider it.

**Senator LUNDY**—Did you give me an answer to that question on notice last time? I cannot recall seeing it.

**Mr Sutton**—You asked a question on notice about the split-up of the funding between overheads and funding to incubatees. We provided an interim answer, because the question required us to go out to incubators for information. We have not provided a final answer to that question. We received information back from the incubators. When we analysed it and listened to comments from the incubators, we found that there were some definitional issues. We met with them in Canberra last week, just in terms of ensuring that we give an answer which is fully consistent. There were some definitional problems which became apparent so we are refining the definitions, and refining the question in effect, and we will be in a position to provide you with a final answer to that question as soon as possible.

**Senator LUNDY**—Of course, if you need my assistance to clarify what I was intending by asking the question and any definitions, you just have to ask.

**Mr Sutton**—Certainly.

**Senator LUNDY**—I will await that information with interest, but I ask you to take on board this other request. It really is in the interests of accountability of spending public money—no more than that. I am sure you drew to the attention of all of the applicants that there were parliamentary accountability provisions in relation to the expenditure of taxpayers' money that they would be subjected to. So that is another way of saying that we do not accept private concerns or private fears about confidentiality as a reason for you not to provide the committee with information.

**Mr Sutton**—Certainly. We will consider that.

**Senator LUNDY**—I turn to other aspects of the BITS money. What about Advanced Networks?

**Mr Sutton**—We sought applications for Advanced Networks projects. Applications closed in early December. I think it was 6 December. Forty-eight applications were received. We are now assessing those applications. The minister announced a private sector advisory panel last Friday.

**Senator LUNDY**—I missed that. Your web site must not be working, Minister. Did you put out a press release?

**Mr Sutton**—Yes, there is a media release.

**Senator LUNDY**—I must be slipping. Who is on that panel?

**Mr Sutton**—It is chaired by Mr Greg Crew. Members are Mr Angus Robinson, Professor Mary O’Kane, Ms Shara Evans, Professor Peter Darling and Mr Warwick Smith.

**Senator LUNDY**—That is a familiar name. Is that an old mate of yours, Senator Alston?

**Senator Alston**—He used to play for Australia. You should remember him.

**Senator LUNDY**—Is he still with Macquarie?

**Senator Alston**—He is indeed, yes.

**Senator LUNDY**—It is nice to know you are thinking of old friends when you appoint these committees.

**Senator Alston**—Well, he knows a fair bit about the area, after all.

**Senator LUNDY**—I would hope so. So that panel is part of the assessment process of the applicants?

**Mr Sutton**—That is correct.

**Senator LUNDY**—Can you give me some information about when you are going to make those decisions and whether you are going to announce a multitude of rounds? What are the plans?

**Mr Sutton**—The program has been conceived as involving a single funding round. That is total program funding of \$40 million. At this stage we are proceeding towards finalisation of the selection process in late March, early April, with Senator Alston making announcements around that time.

**Senator LUNDY**—And what is the difference between Advanced Networks and some of the Networking the Nation, RTIF style grants that have been made?

**Mr Sutton**—The concept behind Advanced Networks was I suppose in many ways observing what was happening with advanced network infrastructure overseas, particularly networks like the Canary project in Canada.

**Senator Alston**—High-speed RP backbone ATM networks—Internet, too. Networking the Nation is little dollops of money to a whole range of worthy causes but not necessarily state-of-the-art, cutting edge backbones—in fact not that.

**Senator LUNDY**—The opposite end?

**Senator Alston**—Yes.

**Senator LUNDY**—Okay. How much have you spent on Networking the Nation now?

**Senator Alston**—It is about \$200 million out of the original \$250 million. And then you have got the extra \$171 million from the last round.

**Senator LUNDY**—So it is close to \$400 million?

**Senator Alston**—I think it might be over 400 projects. I am not sure whether it is \$400 million.

**Dr Williamson**—The total figure of funds available to the program is \$421 million. That is including the original \$250 million program and the Telstra 2 social bonus elements that were added in in 1999. Of that, \$238 million has been allocated to projects.

**Senator LUNDY**—I actually want to come specifically to Networking the Nation.

**Dr Williamson**—There are 493 projects included in that.

**Senator LUNDY**—That are funded already?

**Dr Williamson**—That are funded already, yes.

**Senator LUNDY**—And when is the next round likely to be announced?

**Dr Williamson**—We are just going into a new round. The closing date for applications is 4 April, and the Networking the Nation board meets in mid June. So the announcement will be some time in late June or early July, I expect.

**Senator LUNDY**—Just in time for a federal election.

**Dr Williamson**—You must know more than I do, Senator.

**Senator Alston**—I am sure we squeeze another few in!

**Senator LUNDY**—I am getting sidetracked here. I might just hold that and come back to you. I go back to Mr Sutton an Advanced Networks. The point I was going to make, Minister, is that there has been \$421 million allocated for Networking the Nation and outreach. How does that compare to only \$40 million for what are obviously significant backbone infrastructure style projects?

**Senator Alston**—Well, this was part of the BITS program.

**Senator LUNDY**—I know that, but I am just asking you a general question about proportions of how the government is spending its money on investing in the bandwidth requirements.

**Senator Alston**—You will get a maximum of 10 projects out of Advanced Networks, because I think the parameters are \$4 million to \$15 million. So if you gave each project the minimum, then you would have a maximum of 10. So it is much chunkier. A minimum of \$4 million is much greater than virtually all of the Networking the Nation, I think—except I suppose for the second round of the \$171 million. So really they are community based projects all around Australia, whereas ANP are just going to be a maximum of 10 in strategic areas and presumably providing links or backbones off which you can have spur lines and the like. So they will provide a base.

**Senator LUNDY**—Just on that point, are the advanced networks targeting those regional bandwidth challenges that the regions face? I am actually just genuinely asking; I do not know if you have set priorities for it to be spent in those areas or not.

**Senator Alston**—I think that is where you would expect most of the demands to come from.

**Mr Stevens**—I think some of the applications have a regional focus, but I do not think that we want to anticipate the outcome of the selection process.

**Senator LUNDY**—No, I do not want you to, but I am just asking you if you did, in fact, preset some policy directions about where you wanted that money spent.

**Mr Sutton**—The program guidelines for advanced networks indicate a number of projects or types of projects which can be funded, and projects which can increase the availability or supply of advanced networks in regional areas are certainly one of the types of projects that are specified that can be funded under the Advanced Networks Program.

**Senator LUNDY**—Given my previous interest in Telstra's involvement in Networking the Nation projects, can you tell me if the government has any position on Telstra's involvement in the Advanced Networks projects, or are they eligible to apply for funding like anyone else?

**Mr Sutton**—Telstra was certainly eligible to apply for projects. Given the stage that the process has reached, I would prefer not to answer the question yet.

**Senator LUNDY**—No, I do not want you to tell me. I just want to know if you had preset anything or determined anything.

**Mr Sutton**—It is certainly eligible.

**Senator LUNDY**—I will look forward to those announcements in April or March. Going now to Intelligent Island, that is also your bag, isn't it, Mr Sutton?

**Mr Sutton**—Yes.

**Senator Alston**—We have a board member with us here.

**Senator LUNDY**—Who?

**Senator Alston**—Mr Stevens.

**Senator LUNDY**—Excellent. Do you get a per diem?

**Mr Stevens**—No, not at the moment. It is just part of my normal job.

**Senator LUNDY**—You will have to talk to your boss while he is still the boss.

**Mr Stevens**—It is part of my normal job.

**Senator Alston**—No double dipping.

**Senator LUNDY**—Yes. We probably have not got time for an update.

**Mr Stevens**—I can give you an update.

**Senator LUNDY**—In two sentences, Mr Sutton or Mr Stevens, tell me what is happening down south.

**Mr Stevens**—I am delighted to tell you we had a board meeting.

**Senator LUNDY**—Just do not take long because I am really conscious of the time and I have still got lots to go through.

**Mr Stevens**—I will try to be very brief then. We had a board meeting only this week, I think, to discuss progress. We have already got an incubator up and running along the lines of the mainland incubators.

**Senator LUNDY**—Tasmania did not get a BITS incubator, did it?

**Mr Stevens**—No.

**Senator LUNDY**—Because it got \$40 million—

**Mr Stevens**—It got an incubator out of the \$40 million. We have now had a selection process and selected one and it is up and has been announced.

**Senator LUNDY**—Has it got incubatees?

**Mr Stevens**—No, the announcement was only made just before Christmas.

**Senator LUNDY**—Right.

**Mr Stevens**—And the agreement is still being negotiated.

**Senator LUNDY**—Where is it?

**Mr Stevens**—It is in Tasmania, of course.

**Senator LUNDY**—Please, whereabouts in Tasmania?

**Mr Stevens**—It is in Hobart, but I think that it has linkages at Launceston as well. So it has some, if you like, nodes which reach out throughout Tasmania.

**Senator LUNDY**—Nodes are good.

**Mr Stevens**—There has been one round of skills development program funding, and we are in the process at the moment of looking at a centre of excellence for an IT R&D centre down in Tasmania, and we are making good progress on that. But as yet, no announcements on that.

**Senator LUNDY**—How much money is being on the skills development program and how much to date?

**Mr Stevens**—The answer is not very much. I think about \$10 million has been allocated to it, but very little has been spent so far—sorry, \$5 million; I am corrected.

**Senator LUNDY**—Is that regionally based? Does Launceston have a node of that as well?

**Mr Stevens**—No, it is not a question of nodes. The first round was an applications based system and has certain replications right around Tasmania.

**Senator LUNDY**—And the other initiative you mentioned?

**Mr Stevens**—The centre of excellence. A subcommittee has been formed to develop that particular proposal, and I think that we are making good progress. But we have yet made no announcements on where we are going on that.

**Senator LUNDY**—Can you tell me what proportion of the \$40 million Intelligent Island money has been spent of that social bonus?

**Mr Stevens**—The money has been—

**Mr Sutton**—The actual proportion of the money actually spent has been very low. I cannot say with confidence how much of the skills development fund has been spent, but in terms of the incubator, as Mr Stevens indicated, the funding agreement has not yet been finalised. All the other initiatives are still being developed. So actual expenditure is fairly low at this point in time.

**Senator LUNDY**—Have you got a ballpark figure for the incubator?

**Mr Sutton**—Yes, a funding agreement has been negotiated for \$8 million.

**Senator LUNDY**—I thought that it might be about that much. That puts it on par with the other ones, doesn't it—at the top end?

**Mr Sutton**—Yes, most of the other BITS incubators—I think saying that it is on par with the other mainland ones is a good way of putting it, yes.

**Senator LUNDY**—I know that you have not made an announcement yet, but have you got a ballpark figure of expenditure on the centre of excellence?

**Mr Stevens**—That is still being looked at by the board.

**Senator LUNDY**—It is just that I am doing my sums here. The incubator is \$8 million; the skills development program is \$5 million. That is \$13 million of \$40 million. What else is coming out of that \$40 million?

**Mr Stevens**—There has been a draft plan developed, which is still being worked on by the board, which actually allocated the money. I think the best thing we can do in terms of times is just take that on notice and give you what that draft plan is going to say.

**Senator LUNDY**—You could give me the draft plan.

**Mr Stevens**—If we can, we can certainly do that.

**Mr Sutton**—Certainly, we would be able to provide you with that.

**Mr Stevens**—The only point that I make is that it is a living document and as we work through it changes are being made.

**Senator LUNDY**—So it is not even secret?

**Mr Sutton**—No.

**Mr Stevens**—So you do not want it?

**Senator LUNDY**—No, I still want it, but it is just not as much fun.

**Mr Stevens**—Just to caution, we are in the process of developing that plan, so changes are being made.

**Senator LUNDY**—Minister, are you planning on making the announcements for the allocation of the complete \$40 million before the next federal election?

**Senator Alston**—I think we are keen to get on with it, but we will take advice on what is doable. I do not have any firm view on this, because the board has not really reported.

**Mr Stevens**—It is in the board's hands. I think, on the centre of excellence, we would certainly be hoping to have announcements by the middle of this year—at least preliminary announcements on the direction of that program.

**Senator LUNDY**—I will resist from pursuing the point, but it is disappointing that that money was announced some time ago now and relatively little progress has been made in terms of allocating it and rolling out programs. I guess that is an observation that I would care to make—no reflection on the board, of course.

**Senator Alston**—No, but it is fair to say that the Tasmanian government certainly had somewhat different views from the Commonwealth on how proposals should proceed, and we obviously did not want to duplicate or impose a regime on them which was unacceptable. So there was a fair bit of negotiation involved before we actually got the board up and working. But I think it has been moving pretty quickly since then.

**Senator LUNDY**—Networking the Nation. Back to you, Dr Williamson. The next round closing date of 4 April and announcement in late June—what is the anticipated value of that round, or is that something that is not able to be determined?



**Dr Williamson**—It is very difficult to be precise about that. It is totally dependent on what applications are received and what applications are approved by the board. So there is not a target in any sense, or an anticipated figure, but I guess the last couple of rounds have had somewhere around 80 projects, I think, approved in each. The value has been a little variable because of the size of grants, but somewhere over \$50 million, I think, in the one before last and I think, from memory, around \$40 million in this last round.

**Senator LUNDY**—Right.

**Dr Williamson**—So that is an indication but, as I say, the next round is dependent on what applications are received and are approved.

**Senator LUNDY**—Are there any budget constraints on how much you can actually approve in each round? I do not know how the money was allocated across out years or something, but is there any reason why you need to wait and spread those applications over a longer period?

**Dr Williamson**—There may be a point where that would apply, but I think the program has not ever hit that point, if you like.

**Senator LUNDY**—Right.

**Dr Williamson**—I believe the situation is that we are able to enter into agreements which anticipate future years funding in payment schedules, but there is a limit on how much can actually be paid out in each year which is related to the budget appropriations.

**Senator LUNDY**—Okay. I guess that is what I was looking for, whether you were under any constraint or whether there was any benefit in waiting until the next financial year to announce the next round.

**Dr Williamson**—No. I think the pattern of the program has been that it got off, as some of these other programs did, to a somewhat slow start. So there has always been some measure of dollars in reserve for a catch-up, if you like.

**Senator LUNDY**—Can I ask the department to take on notice—and I confess it is probably a research project waiting to be done—an analysis of all of the social bonus funding, just a simple breakdown in allocation to the various projects and initiatives—the proportion of that funding which has been spent to date and the proportion of that funding which is anticipated to be spent before the end of this calendar year.

**Mr Stevens**—We will see what we can do.

**Senator LUNDY**—It should be pretty straightforward. I would do it myself if I had the resources.

**Senator Alston**—We might be able to find you a job in the department.

**Senator LUNDY**—No thanks. I have a job in mind, Minister. I would like now to turn briefly to the industry development aspects of IT outsourcing. I note the response from the department about your refusal to provide me with the industry development reports provided to the department by the external service providers, as they are now known. I wanted to challenge the grounds upon which you are saying that you are not prepared to provide them, particularly in the context of a different Senate committee's ongoing dialogue with OASITO regarding commercial-in-confidence matters.

I note that with your response to question 15 you are relying on OASITO's advice in relation to releasing the contents of the ID schedules, which are a component of the various

service agreements, and also your claim that you believe you have an obligation of confidence in regard to the contractors ID annual reports. I would like to formally place on notice that request again and ask you to offer some justification for refusing to provide to the committee information that is quite reasonable, albeit it is within your capability to deliver those reports with a request that they be kept in confidence, and we would consider that as a committee.

**Mr Sutton**—We are certainly prepared to consider that, both in the context of this committee and also the separate inquiry that is going on into outsourcing. We have been in consultation with OASITO in relation to the provision of contract schedules for the inquiry. We are certainly prepared to look at that issue again. I suppose we see the issues related to this committee and the inquiry as somewhat different.

**Senator LUNDY**—I appreciate that. That is why I am asking you for those reports, because OASITO says, ‘They are not our reports; they’re DOCITA’s reports.’ My understanding is that we have to make the request through you for those reports. I raised OASITO in the context that you are actually relying on advice you sought from them regarding it. I do not think that is appropriate. I think you as a department need to determine their status and on what grounds.

**Mr Sutton**—Certainly the issue of potential commercial damage which can be done by release of the full extent of the information in reports has been an important consideration for us. As I say, we are discussing it with OASITO in the context of an inquiry, but that issue of the potential to damage the commercial interests of companies in a way which is not necessarily required in terms of fulfilling the accountability role of this committee is, in a nutshell, trying to balance those two considerations.

**Senator LUNDY**—I guess the bottom line from our point of view is that none of that really matters. If the committee makes a request, you have an obligation to provide the information requested, albeit you can choose to accompany it with a request for confidentiality and the committee can make the determination on whether or not that is appropriate. I am fully aware of all of those sensitivities, but there is nothing in what you have offered that provides you with the ability to excuse yourself from your obligation to provide this committee with information requested.

**Mr Sutton**—Certainly.

**Senator LUNDY**—With regard to the Humphry review on the IT outsourcing, some reflections were made about the future directions of industry development. There were lots of reflections, but you are particularly interested in the future directions issue. The Humphry review states:

It is important that the process for assessing industry development is transparent and that responsibility for industry development policy is clearly defined.

Has that report, albeit that it was not framed in the form of a specific recommendation, influenced or modified the way you are managing the industry development component of the IT outsourcing project?

**Mr Sutton**—Yes. As part of the government response to the Humphry report, it was made clear that this department retained responsibility for the industry development aspects of the process. Senator Alston announced that DOCITA would be undertaking a round of consultations with industry and with agencies to formulate an ideal regime suited to the post-Humphry environment, and we are in the process of doing that now.

**Senator LUNDY**—Could you take that on notice and provide me with a schedule of that consultation, whom you intend to consult and what the process of, I suppose, acting on the results of that consultation will be? It is a little bit esoteric, but I am sure you can appreciate my interest.

**Mr Sutton**—Yes, certainly.

**Mr Stevens**—A lot of that consultation has already taken place and Mr Sutton might be able to tell you about some of the organisations and firms that have been consulted already.

**Senator LUNDY**—He could, except I would rather bring NOIE to the table given the time.

**Mr Stevens**—We could take it on notice.

**Senator LUNDY**—Thank you. Thanks, Mr Sutton.

[10.36 p.m.]

#### **National Office of Information Economy**

**Senator LUNDY**—I take this opportunity to welcome Mr Rimmer to his first federal estimates; is that correct?

**Mr Rimmer**—Yes, indeed. Thank you.

**Senator LUNDY**—I do have a couple of questions regarding your appointment, Mr Rimmer, and I do not know whether you will take them or whether the minister or Mr Stevens should take them. The first question I have is: is it your intention to locate your office in Sydney, Melbourne or Canberra?

**Mr Rimmer**—I am located in Melbourne. I have an office in both Melbourne and Canberra and I am approximately 50 per cent of the time in each. I will be in Sydney as the need arises.

**Senator LUNDY**—Is the Melbourne office something that has come about as a result of your appointment or did NOIE have an established office in Melbourne previously?

**Mr Rimmer**—No. NOIE has an established office in Melbourne already and in fact it is my intention to have a NOIE footprint in both Sydney and Melbourne, with obviously the bulk of the staff still in Canberra.

**Senator LUNDY**—In terms of the office in Melbourne, have there been any changes to that accommodation? Are any refurbishments or any expenditures going on down there?

**Mr Rimmer**—The office at the moment is set up for about four people. We will probably have about eight people, so we will be moving to modest but larger premises some time later in the first half of this year.

**Senator LUNDY**—Where are you now and where will you be moving to?

**Mr Rimmer**—We are currently at 161 Collins Street in space shared with the industry department. Where we will be moving to is a matter that we are currently negotiating. It has not yet been signed.

**Senator LUNDY**—So you have not got anywhere signed up yet? An issue I was pursuing at the last round of estimates, albeit very briefly, because I think we had similar time constraints, was the Sydney office. I was provided with a lot of answers to questions on notice in relation to that. My understanding is that that office only houses eight people also; is that still the case?

**Mr Rimmer**—Yes, it is set up for eight people.

**Senator LUNDY**—Minister, perhaps I could now flick to you: can you justify the cost of the infrastructure in both Sydney and Melbourne if both of those offices are only housing about eight officers each, given the leasing costs and associated infrastructure costs?

**Senator Alston**—I think it is essentially a matter for the director, but there is a lot to be said for having a presence in each of the two major capital cities and certainly a sufficiently significant staff complement to enable constant interaction with all of the constituents that NOIE services. I assume that Mr Rimmer will be very concerned to ensure that we get value for money and that the premises are appropriate to the needs. Beyond that, I certainly think it is a real positive to be not just Canberra based and Canberra focused.

**Senator LUNDY**—You have always been Sydney based. Your arguments previously about the Sydney office have been—

**Senator Alston**—That was an argument for getting out of Canberra. But I think there is a lot to be said for covering as much territory as you can in this game.

**Senator CALVERT**—Nothing wrong with that.

**Senator Alston**—You want an office in Hobart, did you say?

**Senator CALVERT**—Yes, I do.

**Senator Alston**—We will take that on board.

**Senator LUNDY**—I am sure every state would lay claim. I think what I am trying to ascertain is: are there additional costs associated with the establishment of the new Melbourne office? If so, what are they?

**Senator Alston**—As Mr Rimmer said, the office is already there. It is a matter of expansion. If they are relocating, presumably they are doing it on a basis that ensures you get best value for money. But if your argument is that somehow you would be better to just have an office in a single location, I do not think you can judge it in those terms. I think you ought to start on the basis that it is desirable to have offices in each of those three locations and then do your best to get an economical outcome.

**Senator LUNDY**—You have previously presented arguments to me as to the Sydney office being a critical centre but also because your CEO was located in Sydney; correct me if I am wrong. Mr Twomey was located in Sydney?

**Senator Alston**—Yes.

**Senator LUNDY**—So my question then is: if Mr Rimmer does not intend to use the Sydney office, can you justify its retention?

**Senator Alston**—I come back to saying that, wherever the CEO might be based, I think it makes sense to have a physical presence in both of those capital cities. In this day and age, you hardly know where CEOs are based anymore. I am not sure where I live half the time. If you read Scott McNeilly, he says the great virtue of email is that, 'Because I am only ever home one day in six weeks I am able to access my mobile office.' If that is the case, it would be silly to simply confine yourself to one physical centre when you are constantly travelling, when indeed I think you need people on the ground to service the customer base.

**Senator LUNDY**—Can you take on notice the question about additional costs?

**Senator Alston**—Yes.

**Senator LUNDY**—Was NOIE incurring rent/lease charges when it was co-located with DISR in Melbourne?

**Mr Rimmer**—Yes.

**Senator LUNDY**—Can you tell me how much that was? You can take that on notice. In terms of NOIE's priorities, I note in some recent media—and I will find the article—that three priorities were identified, and I will paraphrase them: developing skills and awareness of electronic commerce and Internet applications amongst small business and the general public; NOIE had a role to play in the supply side of information technology, communications and e-commerce; and ensuring government supported and coordinated the application of online service delivery within the federal government, which I guess is the OGO aspect of now what NOIE is doing. In reflecting on those priorities, I would like to refer to earlier questions I asked about the commitment to growing the ICT manufacturing sector as an aspect of critical importance to the economic challenge to the new economy for Australia. I wanted to know if NOIE focuses any attention on that aspect of industry development in information and communication technologies?

**Mr Rimmer**—Yes, the three things you have mentioned I would describe as our functional statement, not our priorities. We basically have three lines of work.

**Senator LUNDY**—The article said 'priorities'.

**Mr Rimmer**—One of those is clearly growing the supply side. Although it is very important to ensure that the economy generally uses the new technology tools to productive and creative effect, we also want to be sure that we do grow an effective supply industry. So a major part of our work is concerned with ensuring that the environment for growth of information industries on the supply side is adequate. We have got groups of people who are concerned with work in the past and continuing discussion about aspects of taxation policy and investment attraction. Also we have a joint team with the department for the implementation of the innovation action plan. So we have a central interest in the growth of research and development capabilities and basic research capabilities. So our first priority is about getting the environment right to see growth happen. Yes, it is very much a part of what NOIE does.

**Senator LUNDY**—They have about 160 all up, is that right?

**Mr Rimmer**—Yes.

**Senator LUNDY**—With eight in Melbourne, eight in Sydney and you going in between, leaving about 140-odd here in Canberra. Can you tell me proportionally how many of those people are involved in that policy development type work and how many of those people are involved in program implementation and the specific programs that NOIE has carriage of? I know I have been given the whole list on notice, so I will not go through them all now. I am happy for you to take it on notice.

**Mr Rimmer**—I think I do need to take it on notice.

**Senator LUNDY**—That is fine. One of the areas of significant interest at the moment is the report NOIE was working on in relation to Internet gambling, following the eventual passage of Senator Alston's favourite piece of legislation.

**Senator Alston**—Thank you for your help.

**Senator LUNDY**—You will not get any help from me in that regard, Minister. We know it is your favourite piece of legislation and you hold it high as all things representative of your time as minister of information.

**Senator Alston**—All in a day's work.

**Senator LUNDY**—Can you advise me of the status of the report NOIE was preparing?

**Mr Rimmer**—It is currently in an advanced state of preparation, but it is not ready yet. When it is ready it will be submitted to the minister, and the government will then determine how it is to be dealt with.

**Senator LUNDY**—Is it intended to be made public?

**Mr Rimmer**—That is a question for the minister, I think. It is a question, I think, that the government will determine at a later point. It has not been decided yet.

**Senator LUNDY**—Minister, have you been thinking about whether or not you are going to make it public?

**Senator Alston**—That is a true statement, I think.

**Senator LUNDY**—You do not know yet?

**Senator Alston**—I have not seen it.

**Senator LUNDY**—Might you make it public, if you like it?

**Senator Alston**—We may do a lot of things.

**Senator LUNDY**—I am being flippant, but I would like to know whether or not you have actually said it is a report that you intend to make public or whether it is in fact a report that you intend to be advice to the minister and which we are not likely to see. It was very openly discussed, which is why I thought there was some chance we might actually see it.

**Senator Alston**—We are still considering our position.

**Senator LUNDY**—And is it your intention to prepare further legislation in relation to online gambling?

**Senator Alston**—It would depend upon the outcome of the advice we get, I suppose.

**Senator LUNDY**—Not necessarily. We have seen you receive advice saying, ‘There is no point because it is not effective,’ and you still came up with legislation.

**Senator Alston**—That is not right at all. You had very narrow sources of advice. We covered a much more comprehensive canvas.

**Senator LUNDY**—Can you give me any indication of the timing of that? When do you expect to receive that report?

**Senator Alston**—I think the only critical date I can give you is 19 May. That is when the moratorium expires.

**Senator LUNDY**—Indeed it does. You will need to have legislation passed by then if you are going to ban it in perpetuity, won’t you?

**Senator Alston**—Unless you want to backdate it, but you would not want a gap from the expiration.

**Senator LUNDY**—Lots would, but you probably wouldn’t. Who has been consulted in the preparation of that report?

**Mr Rimmer**—There was a very extensive forum in Melbourne in October. I cannot recall precisely how many people came. Also, a significant number of submissions were received. So people have been consulted both in a discussion, a deliberative forum, and by way of written submission.

**Senator LUNDY**—Have the state governments been invited to make submissions?

**Mr Rimmer**—I could not answer that question.

**Senator Alston**—I think it is fair to say that we have encouraged them at various levels to have an input into the process.

**Mr Rimmer**—I think, yes, they have is the answer.

**Senator LUNDY**—Okay. Are you familiar with a report called *The IT engine room*?

**Mr Rimmer**—I certainly am aware that there was a report called *The IT engine room*. It was concerned with SME development.

**Dr Badger**—That is the AEEA one going back a couple of years?

**Senator LUNDY**—Yes, 1998 or 1999. I do not know if it is something that NOIE looks at specifically, but I found out that \$120,000 was spent on it by the department.

**Dr Badger**—That was the report that was commissioned by the industry department.

**Senator LUNDY**—How come I got an answer to a question on notice from you guys? You had to foot the bill, did you?

**Dr Badger**—Yes. After the change in administrative arrangements after the October 1998 election, we inherited, along with the function, a series of obligations which had been entered into by others.

**Senator LUNDY**—Well, I thought it was an excellent report, apart from the executive summary—great content. It is just that the recommendations did not reflect it. I do not know if this is a question for NOIE, but is that report something that, by virtue of those changes, DOCITA is now responsible for?

**Mr Stevens**—Given that we paid for the report, I suppose we have some responsibility for following it up.

**Senator LUNDY**—I would like to think so.

**Senator Alston**—It is a reasonable starting point.

**Senator LUNDY**—Okay. There were a series of recommendations in that. Very kindly, the department provided to me an answer to a question on notice about the different programs that related to the recommendations, but so many of them haven't really been acted on specifically. Is it your intention to act on the recommendations?

**Mr Stevens**—It is very hard for me to give you a view at this point, because I do not quite remember all of the recommendations.

**Senator LUNDY**—I know. I regret that I do not have time to go through them, either.

**Mr Stevens**—We will take it on notice, perhaps, and give you an update on what might be happening in relation to some of those recommendations.

**Senator LUNDY**—It would be terrific if you could do that. You have already done most of the layout work.

**Mr Stevens**—Yes. I do not have it in front of me, so I cannot really give you an update; I am sorry.

**Senator LUNDY**—I have a couple of final questions. One relates to the salary package of Mr Rimmer. I know it was set by the remuneration tribunal, so I am not questioning that, but I do have a question for you, Minister. It relates to observations that I made earlier today about the lengthy discussion of another appointment of yours, Mr Shier, and his salary package.

**Senator Alston**—The board appointed him.

**Senator LUNDY**—Sorry, my mistake. Did the remuneration tribunal set his salary as well, out of interest?

**Senator Alston**—I think so.

**Senator LUNDY**—I missed all of the colour today.

**Senator Alston**—You didn't miss anything.

**Senator LUNDY**—I know I did. It is all over the news.

**Senator Alston**—That probably means it wasn't worth while.

**Senator LUNDY**—I cannot help but reflect on the fact that there are similar packages being paid, but the ABC is a vast organisation of some 4,000-odd staff and NOIE is an organisation of some 160-odd staff. So my question to you, Minister, is really reflecting on the parity. There are generally a lot of qualifying issues in that, including the comparative private sector salaries in the information technology area, but do you have a comment in relation to how that parity pans out across public appointments such as this?

**Senator Alston**—I do not really think you can stretch the parity argument too far. What you have to do is look at what you need to pay in this particular area to attract a person of high calibre. As we know, it is a very fast moving game. There are a lot of very attractive salary packages around. If you are to get someone of real calibre like Mr Rimmer, then you have to be prepared to pay for it. I suspect that a number of people who would have applied for this position would have had the public sector ethos that they were not really doing it for the money. They may well be somewhat worse off financially, but at the end of the day it is an interesting area to be in. I do think that if you were to simply pay a pretty modest salary you would be flat out getting anyone who is of contemporary relevance. You might get some young kid on the make. You might get some elderly gent who has done his time in the industry, but you will not get a contemporary player. Someone of Mr Rimmer's stature in the industry was absolutely what we were looking for. I just do not think those type of people would have applied if we had not pitched it reasonably competitively.

**Senator LUNDY**—I am really conscious of the time. As much as I would like to explore further NOIE's challenges and agenda, I do not have time.

**Senator Alston**—I am sure Mr Rimmer cannot wait to come back.

**Senator LUNDY**—I know. Everyone grows to love estimates after a while, I am told. I look forward to seeing you in May. In light of the time, I want to put some questions on notice that relate to the actual corporate services aspect of the Department of Communications, Information Technology and the Arts. The questions relate to the department's IT outsourcing contract with Advantra.

I will just run through a few now and then take the opportunity to put some more on notice. I am particularly interested in the performance of that contractor within the department. We have heard from other group five departments that there have been serious disappointments in the performance of the contractor. I would like you to provide this committee with information relating to the service credits or financial penalties applied, for what those penalties were applied and what sort of server outages or functionality failures they were attributed to. I would also like a comprehensive breakdown of the department's own savings analysis projected across the outyears from the inception of the contract with particular attention paid to your own department's breakdown of the competitive neutrality factors



within those savings that you can attribute to your department and whether or not overall you expect to in fact come out with a net saving generally taking all those factors into account. I think from memory you did not actually lose any money in your budget across the out years like many of the other departments. You think you did? I will let you take that on notice. I think you were the only department that did not.

**Mr Stevens**—I do not see why we would have been the only department.

**Senator LUNDY**—No, I was surprised at the time. I thought it must be favouritism.

**Mr Stevens**—No, I do not think so. I think we lost money.

**Senator LUNDY**—I thought it must be because the minister was involved in the contract approval or something.

**Mr Stevens**—I am almost sure we were treated the same way as other departments.

**Senator LUNDY**—I am not sure of that.

**Mr Stevens**—I am.

**Senator LUNDY**—The other thing I am particularly interested in is DCITA's involvement specifically in the evaluation process leading up to the group five contract being signed. You are no doubt as aware as I am of the range of issues raised in the Auditor-General's report. The group five contract did come out of that report as having been specifically targeted for poor performance and dubious savings outcomes, or questionable savings outcomes. I cannot remember where I was going with that one, but I want a run-down on which departmental officials were involved in the steering committee, options committee, evaluation committee, subcommittees and what opportunity you had to be involved across the board. Finally, I want the status of your assets at the end of the contract. Again, this was an issue raised in the Audit Office report. I want to know what type of exit clauses exist for you at the termination of your current contract with Advantra and what options the department will have to consider at that point in time. That will do.

**CHAIR**—Thank you, Senator Lundy. With that, we conclude this round of additional estimates.

**Senator LUNDY**—Before we do, I want to put on the record my acknowledgment of Mr Steven's contribution to this committee and his role in the Australian Public Service. Best of luck in the future.

**CHAIR**—That is very nice of you. I would like to do that, too, on behalf of the committee, Mr Stevens. We wish you well in your future career in the private sector.

**Mr Stevens**—Thank you very much.

**CHAIR**—With that, we conclude this round of estimates. I thank the minister and officers from the Communications, Information Technology and Arts portfolio for their attendance today. I also thank Hansard and Sound and Vision for their services and Andrea Griffiths and her staff. With that, I declare this hearing closed.

**Committee adjourned at 11.02 p.m.**